

**TEXAS TECH UNIVERSITY
SYSTEM**



**COMBINED
ANNUAL FINANCIAL REPORT
FISCAL YEAR 2012**

ANNUAL FINANCIAL REPORT

OF

TEXAS TECH UNIVERSITY SYSTEM

FOR THE YEAR ENDED AUGUST 31, 2012

LUBBOCK, TEXAS

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TEXAS TECH UNIVERSITY SYSTEM™

Kent Hance, *Chancellor*

November 14, 2012

Honorable Rick Perry
Governor of Texas

Honorable Susan Combs
Texas Comptroller

Ms. Ursula Parks
Acting Director, Legislative Budget Board

Mr. John Keel, CPA
State Auditor

To Agency Heads Addressed:

The Financial Report of Texas Tech University System, with which this letter is bound, is transmitted for inclusion in the State of Texas Annual Financial Report for the fiscal year ended August 31, 2012. Neither the State Auditor nor TTUS Office of Audit Services has audited the accompanying annual financial report and, therefore, neither has expressed an opinion on the financial statements and related information contained in this report. This report is intended to present a complete picture of the fiscal affairs of the System for the year ended August 31, 2012.

As indicated by the following letter of transmittal, this report has been prepared by the fiscal office of the System to provide a summary of the System's financial records.

Sincerely,

A handwritten signature in cursive script, appearing to read "Kent Hance".

Kent Hance
Chancellor





TEXAS TECH UNIVERSITY SYSTEM

Jim Brunjes
Vice Chancellor and Chief Financial Officer

November 14, 2012

Chancellor Kent Hance
Texas Tech University System
Lubbock, Texas 79409

Dear Chancellor Hance:

Submitted herein is the Annual Financial Report of Texas Tech University System for the fiscal year ended August 31, 2012, in compliance with TEX. GOV'T CODE ANN §2101.011 and in accordance with the requirements established by the Comptroller of Public Accounts.

Due to the statewide requirements embedded in Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, the Comptroller of Public Accounts does not require the accompanying annual financial report to comply with all the requirements in this statement. The financial report will be considered for audit by the State Auditor as part of the audit of the State of Texas Comprehensive Annual Financial Report (CAFR); therefore, an opinion has not been expressed on the financial statements and related information contained in this report.

If you have any questions, please contact me at 834-4849.

Sincerely,

A handwritten signature in cursive script that reads "Sharon Williamson".

Sharon Williamson, CPA
Interim Assistant Vice President for Financial Affairs/Controller

Approved:

A handwritten signature in cursive script that reads "Jim Brunjes".

Jim Brunjes
Texas Tech University System
Vice Chancellor & Chief Financial Officer

Texas Tech University System

Board of Regents

Larry K. Anders Term Expires January 31, 2017Dallas, TX
L. Frederick Francis Term Expires January 31, 2013El Paso, TX
Mickey L. Long..... Term Expires January 31, 2015 Midland, TX
Debbie Montford..... Term Expires January 31, 2017San Antonio, TX
Nancy Neal..... Term Expires January 31, 2015Lubbock, TX
John F. Scovell Term Expires January 31, 2013Dallas, TX
John D. Steinmetz Term Expires January 31, 2017Lubbock, TX
Jerry E. Turner Term Expires January 31, 2013Blanco, TX
John Walker..... Term Expires January 31, 2015 Houston, TX

Student Regent

Suzanne Taylor..... Term Expires May 31, 2013 Arlington, TX

Officers of the Board

Jerry E. Turner Chairman
Mickey L. Long..... Vice Chairman
Ben W. Lock Secretary

Fiscal Officers

Kent Hance.....Chancellor
Jim Brunjes..... Vice Chancellor and Chief Financial Officer
Lawrence Schovanec.....TTU Interim President
Tedd Mitchell..... TTUHSC President
Joseph C. Rallo..... ASU President

FINANCIAL STATEMENTS

UNAUDITED

**Texas Tech University System
Combined Statement of Net Assets
As of August 31, 2012**

ASSETS

Current Assets:

| | | |
|---|----|----------------|
| Cash and Cash Equivalents (Note 1) | \$ | 342,387,397.16 |
| Restricted: | | |
| Cash and Cash Equivalents (Note 1) | | 139,150,959.04 |
| Legislative Appropriations | | 102,495,716.69 |
| Accounts Receivable, net: | | |
| Federal Receivables | | 43,244,907.60 |
| Interest and Dividends | | 429,533.64 |
| Patient Receivables | | 18,490,185.96 |
| Student Receivables | | 13,794,279.90 |
| Contract Receivables | | 15,012,347.13 |
| Gift Receivables | | 37,566,190.75 |
| Accounts Receivable | | 6,998,099.20 |
| Other Receivables | | 3,414,768.29 |
| Due From Other State Agencies (Note 12) | | 8,073,668.36 |
| Prepaid Expenses | | 35,131,020.04 |
| Consumable Inventories | | 781,813.08 |
| Merchandise Inventories | | 3,159,969.57 |
| Loans and Notes Receivable, net | | 1,589,894.98 |
| Other Current Assets | | 450,000.00 |
| Total Current Assets | | 772,170,751.39 |

Non-Current Assets:

| | | |
|---|--|--------------------|
| Restricted: | | |
| Cash and Cash Equivalents (Note 1) | | 46,409,674.08 |
| Investments (Note 3) | | 409,681,382.99 |
| Gift Receivables | | 44,502,964.78 |
| Loans and Notes Receivable, net | | 3,381,625.39 |
| Investments (Note 3) | | 814,958,004.72 |
| Capital Assets (Note 2) | | |
| Non-Depreciable or Non-Amortizable | | 131,296,681.21 |
| Depreciable or Amortizable | | 2,430,360,460.92 |
| Accumulated Depreciation and Amortization | | (1,148,303,753.89) |
| Total Non-Current Assets | | 2,732,287,040.20 |

| | | |
|--------------|----|------------------|
| Total Assets | \$ | 3,504,457,791.59 |
|--------------|----|------------------|

UNAUDITED

Texas Tech University System
Combined Statement of Net Assets
As of August 31, 2012

LIABILITIES

Current Liabilities:

| | | |
|---------------------------------------|----|-----------------------|
| Accounts Payable | \$ | 43,111,039.76 |
| Payroll Payable | | 55,769,394.31 |
| Deferred Revenues | | 176,861,640.27 |
| Due to Other State Agencies (Note 12) | | 2,951,562.87 |
| Employees' Compensable Leave (Note 5) | | 4,822,514.27 |
| Capital Lease Payable (Note 5) | | 158,096.78 |
| Claims Payable (Note 5) | | 1,307,405.59 |
| Notes and Loans Payable (Note 5) | | 27,159,000.00 |
| Bonds Payable (Note 5) | | 27,680,918.63 |
| Funds Held for Others | | 31,540,625.16 |
| Other Current Liabilities | | 4,566,663.19 |
| Total Current Liabilities | | <u>375,928,860.83</u> |

Non-Current Liabilities:

| | | |
|---------------------------------------|--|-----------------------|
| Employees' Compensable Leave (Note 5) | | 35,076,933.56 |
| Capital Lease Payable (Note 5) | | 154,524.51 |
| Claims Payable (Note 5) | | 14,073,836.67 |
| Bonds Payable (Note 5) | | 520,389,101.71 |
| Other Non-Current Liabilities | | 561,668.24 |
| Total Non-Current Liabilities | | <u>570,256,064.69</u> |

| | | |
|-------------------|----|-----------------------|
| Total Liabilities | \$ | <u>946,184,925.52</u> |
|-------------------|----|-----------------------|

NET ASSETS

| | | |
|---|--|----------------|
| Invested in Capital Assets, Net of Related Debt | | 862,709,575.10 |
|---|--|----------------|

Restricted:

Nonexpendable:

| | | |
|------------|--|----------------|
| Endowments | | 624,471,943.08 |
|------------|--|----------------|

Expendable:

| | | |
|------------------|--|---------------|
| Capital Projects | | 17,550,534.70 |
|------------------|--|---------------|

| | | |
|----------------------------------|--|---------------|
| Higher Education Assistance Fund | | 36,332,942.81 |
|----------------------------------|--|---------------|

| | | |
|--------------|--|---------------|
| Debt Service | | 27,939,252.34 |
|--------------|--|---------------|

| | | |
|-------|--|----------------|
| Other | | 286,954,188.24 |
|-------|--|----------------|

| | | |
|--------------|--|----------------|
| Unrestricted | | 702,314,429.80 |
|--------------|--|----------------|

| | | |
|------------------|--|-------------------------|
| Total Net Assets | | <u>2,558,272,866.07</u> |
|------------------|--|-------------------------|

| | | |
|----------------------------------|----|-------------------------|
| Total Liabilities and Net Assets | \$ | <u>3,504,457,791.59</u> |
|----------------------------------|----|-------------------------|

See Accompanying Notes to the Combined Financial Statements

UNAUDITED

**Texas Tech University System
Combined Statement of Revenues, Expenses, and Changes in Net Assets
For the Year Ended August 31, 2012**

| | |
|---|------------------|
| Operating Revenues | |
| Tuition and Fees | \$ 7,683,680.74 |
| Tuition and Fees - Pledged | 416,376,001.01 |
| Less Discounts and Allowances | (92,619,048.34) |
| Professional Fees | 221,495,670.95 |
| Professional Fees - Pledged | 1,383,730.84 |
| Sales and Services of Auxiliary Enterprises - Pledged | 127,435,337.49 |
| Other Sales and Services | 3,413,154.48 |
| Other Sales and Services - Pledged | 10,384,939.29 |
| Federal Grants and Contracts (Schedule 1A) | 55,226,944.54 |
| Federal Grants and Contracts - Pledged (Schedule 1A) | 4,621,196.87 |
| Federal Grant Pass-Throughs from Other State Agencies (Schedule 1A) | 5,409,010.05 |
| State Grants and Contracts | 6,971,250.85 |
| State Grants and Contracts - Pledged | 557,755.13 |
| State Grant Pass-Throughs from Other State Agencies (Schedule 1B) | 29,868,220.25 |
| Local Governmental Grants and Contracts | 51,598,507.15 |
| Local Governmental Grants and Contracts - Pledged | 1,167,555.82 |
| Nongovernmental Grants and Contracts | 102,736,432.49 |
| Nongovernmental Grants and Contracts - Pledged | 2,173,434.49 |
| Total Operating Revenues | 955,883,774.10 |
| Operating Expenses | |
| Instruction | 414,210,623.33 |
| Research | 156,157,560.52 |
| Public Service | 123,658,739.68 |
| Hospital and Clinic | 58,968,217.08 |
| Academic Support | 173,014,313.48 |
| Student Services | 46,261,605.95 |
| Institutional Support | 91,607,077.80 |
| Operations and Maintenance of Plant | 72,258,199.94 |
| Scholarships and Fellowships | 44,484,285.75 |
| Auxiliary Enterprises | 111,607,889.71 |
| Depreciation and Amortization | 113,593,663.94 |
| Total Operating Expenses | 1,405,822,177.18 |
| Operating Income (Loss) | (449,938,403.08) |

UNAUDITED

**Texas Tech University System
 Combined Statement of Revenues, Expenses, and Changes in Net Assets
 For the Year Ended August 31, 2012**

| | |
|---|---------------------|
| Nonoperating Revenues (Expenses) | |
| Legislative Revenue | \$ 373,527,529.31 |
| Federal Grants and Contracts (Schedule 1A) | 45,245,956.50 |
| State Grant Pass-Throughs from Other State Agencies (Schedule 1B) | 2,000.00 |
| Private Gifts | 81,186,791.70 |
| Private Gifts - Pledged | 4,011,127.39 |
| Investment Income (Expense) | 17,459,209.75 |
| Investment Income (Expense) - Pledged | 10,190,644.77 |
| Interest Expense on Capital Asset Financing | (24,015,837.61) |
| Gain (Loss) on Sale and Disposal of Capital Assets | (1,065,861.22) |
| Net Increase (Decrease) in Fair Value of Investments | 18,560,814.04 |
| Other Nonoperating Revenues (Expenses) | 9,610,724.62 |
| Other Nonoperating Revenues (Expenses) - Pledged | 1,322,717.32 |
| Total Nonoperating Revenues (Expenses) | 536,035,816.57 |
| Income (Loss) before Other Revenues, Expenses, Gains, Losses, and Transfers | 86,097,413.49 |
| Other Revenues, Expenses, Gains, Losses, and Transfers | |
| Capital Appropriations (HEAF) | 44,652,684.00 |
| Capital Contributions | 11,662,832.56 |
| Lapsed Appropriations | (1,280.84) |
| Contributions to Permanent and Term Endowments | 660,818.12 |
| Legislative Transfer Out (Note 12) | (2,919,683.08) |
| Transfers In from Other State Agencies (Note 12) | 7,877,932.04 |
| Transfers Out to Other State Agencies (Note 12) | (10,374,542.70) |
| Net Other Revenues, Expenses, Gains, Losses, and Transfers | 51,558,760.10 |
| TOTAL CHANGES IN NET ASSETS | \$ 137,656,173.59 |
| Beginning Net Assets (September 1, 2011) | 2,420,616,692.48 |
| Ending Net Assets (August 31, 2012) | \$ 2,558,272,866.07 |

See Accompanying Notes to the Combined Financial Statements

UNAUDITED

**Texas Tech University System
Combined Matrix of Operating Expenses by Natural Classification
For the Year Ended August 31, 2012**

| Function | Salaries and Wages | Payroll Related Costs | Cost of Goods Sold | Professional Fees and Services | Travel |
|------------------------------------|-------------------------------|----------------------------------|-------------------------------|---|-------------------------|
| Instruction | \$ 305,368,912.97 | \$ 62,082,449.15 | \$ 174,224.58 | \$ 6,146,783.00 | \$ 5,109,297.91 |
| Research | 93,230,318.46 | 19,669,540.83 | 465.00 | 1,207,664.68 | 5,121,880.74 |
| Public Service | 50,129,222.25 | 12,274,515.18 | 43,338.48 | 39,154,231.84 | 921,197.50 |
| Hospitals and Clinics | 38,877,145.12 | 10,821,120.50 | - | 1,739,943.23 | 123,735.87 |
| Academic Support | 92,661,763.89 | 24,585,313.45 | 65,078.11 | 4,754,364.97 | 4,889,888.23 |
| Student Services | 22,719,803.33 | 5,721,438.91 | 17,156.90 | 766,434.09 | 1,888,162.04 |
| Institutional Support | 53,673,073.66 | 14,577,679.81 | 42,870.60 | 2,671,999.01 | 1,277,222.78 |
| Operation and Maintenance of Plant | 14,723,576.82 | 4,618,135.03 | - | 1,440,360.34 | 98,023.11 |
| Scholarships and Fellowships | 40,567.00 | 2,848.78 | - | - | - |
| Auxiliary Enterprises | 43,227,245.38 | 9,946,975.16 | 11,440,205.30 | 1,077,426.13 | 4,531,463.00 |
| Depreciation and Amortization | | | | | |
| Total Operating Expenses | \$ 714,651,628.88 | \$ 164,300,016.80 | \$ 11,783,338.97 | \$ 58,959,207.29 | \$ 23,960,871.18 |

| Function | Materials and Supplies | Communications and Utilities | Repairs and Maintenance | Rentals and Leases | Printing and Reproduction |
|------------------------------------|-----------------------------------|---|------------------------------------|-------------------------------|--------------------------------------|
| Instruction | \$ 8,003,418.07 | \$ 1,732,677.86 | \$ 1,029,190.24 | \$ 1,294,103.22 | \$ 741,744.11 |
| Research | 12,213,172.01 | 1,554,283.00 | 3,072,021.17 | 962,874.68 | 297,178.04 |
| Public Service | 12,890,029.01 | 348,354.28 | 421,330.54 | 1,103,889.08 | 444,550.34 |
| Hospitals and Clinics | 5,211,927.26 | 205,208.86 | 166,412.53 | 372,853.36 | 77,167.86 |
| Academic Support | 9,393,417.77 | 6,123,802.25 | 5,153,235.89 | 5,150,029.48 | 1,207,278.88 |
| Student Services | 2,845,976.70 | 1,026,221.80 | 902,752.00 | 1,087,316.30 | 1,010,750.91 |
| Institutional Support | 2,431,635.10 | 1,772,868.94 | 2,148,985.43 | 1,354,091.69 | 761,617.87 |
| Operation and Maintenance of Plant | 3,552,817.40 | 25,613,254.46 | 15,155,245.68 | 201,705.79 | 24,352.28 |
| Scholarships and Fellowships | | | | | |
| Auxiliary Enterprises | 11,496,499.90 | 8,429,907.24 | 5,907,640.42 | 2,789,304.11 | 489,593.33 |
| Depreciation and Amortization | | | | | |
| Total Operating Expenses | \$ 68,038,893.22 | \$ 46,806,578.69 | \$ 33,956,813.90 | \$ 14,316,167.71 | \$ 5,054,233.62 |

| Function | Depreciation and Amortization | Scholarships | Bad Debt | Interest | Claims and Losses |
|------------------------------------|--|-------------------------|------------------------|---------------------|------------------------------|
| Instruction | \$ | \$ 3,655,842.71 | \$ 0.00 | \$ 903.11 | \$ 50,000.00 |
| Research | | 4,719,511.30 | 46,080.96 | 861.84 | |
| Public Service | | 98,754.58 | 0.72 | 571.65 | 15,000.00 |
| Hospitals and Clinics | | | - | 294.62 | |
| Academic Support | | 1,729,376.34 | 348,381.94 | 2,638.90 | 1,171,542.00 |
| Student Services | | 298,098.94 | 155,642.57 | 1,554.17 | |
| Institutional Support | | 30,279.65 | 627,741.28 | 2,068.29 | (145,234.91) |
| Operation and Maintenance of Plant | | 3,234.35 | | 3,013.78 | |
| Scholarships and Fellowships | | 44,463,746.99 | (22,877.02) | | |
| Auxiliary Enterprises | | 166,759.07 | 14,302.32 | 2,500.38 | 21,300.00 |
| Depreciation and Amortization | 113,593,663.94 | | | | |
| Total Operating Expenses | \$ 113,593,663.94 | \$ 55,165,603.93 | \$ 1,169,272.77 | \$ 14,406.74 | \$ 1,112,607.09 |

| Function | Federal Pass-Through | State Pass-Through | Other Operating | Grand Total |
|------------------------------------|---------------------------------|-------------------------------|----------------------------|----------------------------|
| Instruction | \$ 56,308.95 | \$ | \$ 18,764,767.45 | \$ 414,210,623.33 |
| Research | 617,267.52 | 266,401.07 | 13,178,039.22 | 156,157,560.52 |
| Public Service | 555,773.91 | 247,145.57 | 5,010,834.75 | 123,658,739.68 |
| Hospitals and Clinics | | | 1,372,407.87 | 58,968,217.08 |
| Academic Support | | | 15,778,201.38 | 173,014,313.48 |
| Student Services | | | 7,820,297.29 | 46,261,605.95 |
| Institutional Support | | | 10,380,178.60 | 91,607,077.80 |
| Operation and Maintenance of Plant | | | 6,824,480.90 | 72,258,199.94 |
| Scholarships and Fellowships | | | | 44,484,285.75 |
| Auxiliary Enterprises | | | 12,066,767.97 | 111,607,889.71 |
| Depreciation and Amortization | | | | 113,593,663.94 |
| Total Operating Expenses | \$ 1,229,350.38 | \$ 513,546.64 | \$ 91,195,975.43 | \$ 1,405,822,177.18 |

See Accompanying Notes to the Combined Financial Statements

**Texas Tech University System
Combined Statement of Cash Flows
For the Year Ended August 31, 2012**

Cash Flows from Operating Activities

| | |
|---|-------------------------|
| Proceeds from Customers | \$ 239,060,622.76 |
| Proceeds from Tuition and Fees | 328,630,783.15 |
| Proceeds from Grants and Contracts | 272,588,387.39 |
| Proceeds from Sales and Services of Auxiliary Enterprises | 123,385,108.21 |
| Proceeds from Collections of Loans to Students | 1,583,116.94 |
| Payments to Suppliers for Goods and Services | (192,210,951.75) |
| Payments to Employees for Salaries | (718,308,340.71) |
| Payments to Employees for Benefits | (164,709,493.70) |
| Payments for Loans Issued to Students | (784,619.88) |
| Payments for Other Expenses | (234,908,114.88) |
| Net Cash Used By Operating Activities | <u>(345,673,502.47)</u> |

Cash Flows from Noncapital Financing Activities

| | |
|--|-----------------------|
| Proceeds from State Appropriations | 342,498,422.79 |
| Proceeds from Gifts | 64,585,677.05 |
| Proceeds from Nonoperating Grants and Contracts | 45,256,187.50 |
| Proceeds from Other Financing Activities | 15,111,838.01 |
| Proceeds from Agency Transactions | 59,593,895.98 |
| Transfers In from Other State Agencies | 7,877,932.04 |
| Payments for Transfers to Other State Agencies | (8,189,809.03) |
| Payments for Other Uses | (12,998,724.83) |
| Net Cash Provided by Noncapital Financing Activities | <u>513,735,419.51</u> |

Cash Flows from Capital and Related Financing Activities

| | |
|---|------------------------|
| Proceeds from Sale of Capital Assets | 148,209.30 |
| Proceeds from Capital Debt Issuances | 263,583,617.31 |
| Proceeds from Capital Appropriations | 52,076,251.11 |
| Payments for Additions to Capital Assets | (156,028,726.33) |
| Payments for Principal Paid on Capital Debt | (219,875,000.00) |
| Payments for Interest Paid on Capital Debt | (27,128,795.30) |
| Payments for Other Costs on Debt Issuance | (1,538,299.93) |
| Net Cash Used by Capital and Related Financing Activities | <u>(88,762,743.84)</u> |

Cash Flows from Investing Activities

| | |
|---|------------------------|
| Proceeds from Investment Sales and Maturities | 389,700,451.02 |
| Proceeds from Interest and Investment Income | 55,726,248.38 |
| Payments to Acquire Investments | (461,470,908.82) |
| Net Cash Used by Investing Activities | <u>(16,044,209.42)</u> |

| | |
|----------------------|-------------------------|
| TOTAL NET CASH FLOWS | <u>\$ 63,254,963.78</u> |
|----------------------|-------------------------|

| | |
|---|----------------|
| Beginning Cash & Cash Equivalents - September 1, 2011 | 464,693,066.50 |
|---|----------------|

| | |
|--|--------------------------|
| Ending Cash & Cash Equivalents - August 31, 2012 | <u>\$ 527,948,030.28</u> |
|--|--------------------------|

**Texas Tech University System
Combined Statement of Cash Flows
For the Year Ended August 31, 2012**

| | |
|--|----------------------------|
| Reconciliation of Operating Loss to Net Cash Flows from Operating Activities | |
| Operating Loss | (449,938,403.08) |
| Adjustments: | |
| Depreciation and Amortization Expense | 113,593,663.94 |
| Bad Debt Expense | 1,169,272.77 |
| (Increase) Decrease in Accounts Receivables | 2,582,315.10 |
| (Increase) Decrease in Loans and Notes Receivable | 532,306.93 |
| (Increase) Decrease in Inventory | (449,010.03) |
| (Increase) Decrease in Due From Other Agencies | 1,322,927.51 |
| (Increase) Decrease in Prepaid Expenses | (6,764,936.93) |
| Increase (Decrease) in Accounts Payables | (2,062,709.98) |
| Increase (Decrease) in Payroll Payables | (1,708,686.31) |
| Increase (Decrease) in Deferred Revenue | (1,456,934.33) |
| Increase (Decrease) in Compensable Leave | (1,107,576.23) |
| Increase (Decrease) in Claims Payable | (2,326,703.97) |
| Increase (Decrease) in Due To Other Agencies | 694,590.53 |
| Increase (Decrease) in Other Liabilities | 246,381.61 |
| Net Cash Used for Operating Activities | <u>\$ (345,673,502.47)</u> |
| Noncash Transactions | |
| Donations of Capital Assets | \$ 11,662,832.56 |
| Net Increase (Decrease) in Fair Value of Investments | 18,560,814.04 |
| Borrowing Under Capital Lease Purchase | 274,250.30 |
| Other | (914,597.17) |
| Total Noncash Transactions | <u>\$ 29,583,299.73</u> |

See Accompanying Notes to the Combined Financial Statements

POLICIES AND NOTES

UNAUDITED

TEXAS TECH UNIVERSITY SYSTEM

Notes to the Combined Financial Statements

Note 1: Summary of Significant Accounting Policies

Reporting Entity

Texas Tech University System is an agency of the State of Texas and its financial records comply with State statutes and regulations. This includes compliance with the Texas Comptroller of Public Accounts' Annual Financial Reporting Requirements for State Agencies.

Components of the Texas Tech University System include Texas Tech University, Texas Tech University Health Sciences Center, Angelo State University and Texas Tech University System Administration. The Texas Tech University System includes within this report all components as determined by an analysis of their relationship to the Texas Tech University System as described below for blended component units.

Blended Component Units

The Texas Tech Foundation, Inc. (TTFI) is a not-for-profit 501(c)(3) organization, exempt from income taxes. The Texas Tech Foundation, Inc. was founded to financially support and serve the fundraising needs of all colleges, schools, programs and campuses of the Texas Tech University System. Based on the application of the GASB Standard No. 14 criteria, the Texas Tech Foundation, Inc. has been blended into these financial statements because of the significance of its financial relationship with the System.

Texas Tech Physician Associates (TTPA) is a certified non-profit health corporation authorized under the Medical Practice Act Section 5.01(a), article 4495b of the State of Texas. TTPA was created for the purpose of entering into prepaid capitation agreements for physician and other medical services. TTPA is exempt from tax under Internal Revenue Service code section 501(c)(3). The TTPA board consists of nine directors appointed by TTUHSC.

The Robert G. Carr and Nona K. Carr Scholarship Foundation was established for the benefit of Angelo State University. The Foundation is included in the Texas Tech University System financial statements as a blended component unit.

The National Wind Resource Center (NWRC) is a not-for-profit 501(c)(3) organization, exempt from income taxes, and is reported as a blended component unit of Texas Tech University. The NWRC was founded to support research at Texas Tech University. Based on the application of GASB Standard No. 14 criteria, the NWRC's financial data has been blended into these financial statements as a blended component unit.

Due to the significant changes related to Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, the Comptroller of Public Accounts does not require the accompanying annual financial statements to be in compliance with generally accepted accounting principles (GAAP). The financial report will be considered for audit by the State Auditor as part of the audit of the State of Texas Comprehensive Annual Financial Report; therefore, an opinion has not been expressed on the financial statements and related information contained in this report.

Basis of Accounting

The Annual Financial Report is reported on a full accrual basis of accounting in compliance with GASB Statements 34 and 35. For financial reporting purposes, the Texas Tech University System is considered a special-purpose government engaged only in business-type activities. Accordingly, the System's financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned and expenses are recorded when an obligation has been incurred.

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Texas Tech University System – Notes to the Combined Financial Statements (continued)

Cash and Cash Equivalents

Included in this category are demand deposits in banks, local funds held by the state, state reimbursements in transit, and various cash equivalents as listed in the table below. For the purpose of financial statement reporting, cash equivalents are short-term highly liquid investments with an original maturity of three months or less.

The System records and reports its deposits in the general deposit account at cost. It records and reports its special deposit accounts at fair value. Investment pool cash equivalents are recorded at fair value.

Cash and Cash Equivalents as reported on the Combined Statement of Net Assets

| | Current Unrestricted | Current Restricted | Non-Current Restricted | Total |
|--|-------------------------|-------------------------|---------------------------|-------------------------|
| Cash on Hand | \$229,965.80 | \$3,250.00 | \$0.00 | \$233,215.80 |
| Cash in Bank | (23,605,008.02) | 84,433,915.36 | 2,062,297.95 | 62,891,205.29 |
| Reimburse from State Treasury | 3,465,330.24 | | | 3,465,330.24 |
| Cash in State Treasury | 49,576,236.06 | | | 49,576,236.06 |
| Invesco | 27,011,729.38 | 4,880,325.86 | 2,120,793.13 | 34,012,848.37 |
| UBS Select Prime | 27,007,928.58 | 4,879,639.17 | 2,120,494.72 | 34,008,062.47 |
| Blackrock Temp Fund | 23,896,221.11 | 4,317,433.53 | 1,876,182.79 | 30,089,837.43 |
| LOGIC | 27,015,811.04 | 4,881,063.32 | 2,121,113.60 | 34,017,987.96 |
| TexPool & TexStar Investments | 207,789,182.97 | 35,755,331.80 | 36,108,791.89 | 279,653,306.66 |
| Total Cash and Cash Equivalents | \$342,387,397.16 | \$139,150,959.04 | \$46,409,674.08 | \$527,948,030.28 |

Investments

Texas Tech University System accounts for its investments at fair market value, as determined by quoted market prices, in accordance with GASB Statement No. 31 – *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Changes in unrealized gain (loss) on the carrying value of the investments are reported as a component of investment income in the Statement of Revenues, Expenses, and Changes in Net Assets.

Restricted Assets

Restricted assets include monies or other resources restricted by legal or contractual requirements. These assets include proceeds of revenue bonds and revenues set aside for statutory or contractual requirements.

Inventories

Inventories include both merchandise inventories on hand for sale and consumable inventories such as maintenance supplies, housing supplies, janitorial supplies, office supplies, and telecommunications supplies. Inventories are valued at cost, generally utilizing the last-in, first-out method.

Receivables

Accounts receivable consist of tuition and fees charged to students and auxiliary enterprise services provided to students, faculty, and staff. Accounts receivable are recorded net of estimated uncollectible amounts.

Federal receivable includes amounts due from the federal, state, and local governments or private sources, in connection with reimbursement of allowable expenditures disbursed by the System's grants and contracts department.

Gift receivables are accounted for at their estimated net realizable value. The estimated net realizable value consists of the present value of long-term pledges and a reduction for any allowance for uncollectible pledges. Pledges vary from one to ten years and are used to support specifically identified System programs and initiatives.

Interest income receivable consists of amounts due from investment holdings, cash management pools, and cash invested in various short-term investment items.

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Texas Tech University System – Notes to the Combined Financial Statements (continued)

Other receivables include year-end revenue accruals not included in any other receivable category.

Prepaid Expenses

Disbursements for insurances, subscriptions, prepaid postage, prepaid travel costs and similar services paid in the current or prior fiscal years and benefiting more than one accounting period are allocated among accounting periods.

Loans and Notes Receivable

These receivables are student loans receivable that consist of amounts due from the Federal Perkins Loan Program and from other loans administered by the System.

Capital Assets

Furniture, equipment, and vehicles with a cost of more than \$5,000 and an estimated useful life in excess of one year are capitalized. Capitalization thresholds for buildings, building improvements, facilities and other improvements are \$100,000. The capitalization threshold for infrastructure is \$500,000. These assets are capitalized at cost. Donated assets are reported at fair market value as of the acquisition date. Routine repairs and maintenance and capital assets acquired for less than the threshold amounts are charges to operating expenses in the year in which the expense was incurred. Depreciation is based on allocation methods and estimated lives prescribed by the Statewide Property Accounting System (SPA). Assets are depreciated over the estimated useful life of the asset using the straight-line method.

Intangible capital assets are defined as assets that lack physical substance, are nonfinancial in nature, and have an initial useful life extending beyond a single reporting period. These assets are required to be reported if they are identifiable. Land use rights are capitalized if the cost meets or exceeds \$100,000. Purchased computer software is capitalized if the aggregate cost of the purchase meets or exceeds \$100,000. Internally generated computer software has a capitalization threshold of \$1,000,000, and other intangible capital assets must be capitalized if the cost meets or exceeds \$100,000. Intangible assets are amortized based on the estimated useful life of the asset using the straight-line method.

Accounts Payable

Accounts Payable represents the liability for the value of assets or services received at the balance sheet date for which payment is pending.

Deferred Revenues

Deferred Revenues include amounts received for tuition and fees and certain auxiliary activities prior to the end of the fiscal year but related to the subsequent accounting period. Deferred revenues also include amounts received from grant and contract sponsors that have not yet been earned.

Employees' Compensable Leave Balances

Employees' Compensable Leave payable balances represent the liability that becomes "due" upon the occurrence of relevant events such as resignations, retirements, and uses of leave balances by covered employees. Liabilities are reported separately as either current or noncurrent in the Combined Statement of Net Assets.

Notes and Loans Payable

Notes payable represents amounts owed for commercial paper that was issued during the current accounting period. Notes and loans payable are further explained in Note 5.

Bonds Payable

Texas Tech University System has a number of bond issues outstanding, most of which are supported either directly or indirectly by tuition revenue. Bonds payable are addressed in more detail in Note 6.

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Texas Tech University System – Notes to the Combined Financial Statements (continued)

Funds Held for Others

Current balances in funds held for others result from the System acting as an agent or fiduciary for students and student organizations.

Net Assets

Net Assets are the difference between fund assets and liabilities. They are presented in three separate classes: Invested in Capital Assets - Net of Related Debt, Restricted and Unrestricted.

Invested in Capital Assets, Net of Related Debt

Capital assets net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets.

Restricted Net Assets

Restricted net assets result when constraints placed on net asset use are either externally imposed by a party external to the System such as creditors, grantors, contributors, and the like, or imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Assets

Unrestricted net assets consist of net assets, which do not meet the definition of restricted net assets. Unrestricted net assets often have constraints on resources, which are imposed by management, but can be moved or modified.

Interfund Activity and Transactions

Texas Tech University System is regularly involved in both interfund activity and interfund transactions. Interfund activity is defined as financial interaction between internal funds, including blended component units. Interfund transactions are defined as financial transactions between legally separate entities. Interfund activity and interfund transactions are both clearly identifiable and are eliminated where appropriate.

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Texas Tech University System – Notes to the Combined Financial Statements (continued)

Note 2: Capital Assets

Depreciation of capital assets is recorded as a periodic expense and accumulated as an offset to the asset book values. Depreciation of capital assets is based on allocation methods and estimated lives prescribed by the Statewide Property Accounting (SPA) system. Accumulated depreciation is classified by capital asset category, providing for an estimation of the net book value of each asset category.

Capital assets are categorized as either (1) Land and Land Improvements, (2) Buildings and Building Improvements, (3) Infrastructure, (4) Furniture and Equipment, (5) Vehicles, Boats and Aircraft, (6) Construction in Progress, (7) Other Capital Assets, (8) Facilities and Other Improvements, (9) Land Use Rights, (10) Computer Software, (11) Other Intangible Capital Assets. The changes to fixed asset balances are summarized below.

| | Balance 09/01/11 | Adjustments | Reclassifications Completed CIP | Reclassifications Inc-Int'gy Trans | Reclassifications Dec-Int'gy Trans | Additions | Deletions | Balance 08/31/12 |
|--|---------------------------|----------------------|------------------------------------|---------------------------------------|---------------------------------------|------------------------|-------------------------|---------------------------|
| BUSINESS-TYPE ACTIVITIES | | | | | | | | |
| Non-depreciable or Non-amortizable Assets | | | | | | | | |
| Land and Land Improvements | \$13,927,666.83 | | | | | 3,573,974.91 | | \$17,501,641.74 |
| Construction in Progress | 154,516,516.17 | (26,140.34) | (179,986,309.96) | | | 70,279,391.71 | (1,148,617.64) | 43,634,839.94 |
| Other Tangible Capital Assets | 67,643,544.13 | | | | | 2,593,581.35 | (76,925.95) | 70,160,199.53 |
| Total Non-depreciable or Non-amortizable Assets | 236,087,727.13 | (26,140.34) | (179,986,309.96) | | | 76,446,947.97 | (1,225,543.59) | 131,296,681.21 |
| Depreciable Assets | | | | | | | | |
| Buildings and Building Improvements | 1,419,650,778.41 | | 179,986,309.96 | | | 37,813,943.68 | (668,954.43) | 1,636,782,077.62 |
| Infrastructure | 41,719,273.29 | | | | | | | 41,719,273.29 |
| Facilities and Other Improvements | 164,730,826.80 | (34,797.00) | | | | 1,633,120.72 | | 166,329,150.52 |
| Furniture and Equipment | 245,496,020.85 | (176,948.33) | | | | 31,420,968.94 | (4,919,318.70) | 271,820,722.76 |
| Vehicle, Boats and Aircraft | 16,192,545.59 | 211,745.33 | | | | 1,336,501.22 | (932,728.90) | 16,808,063.24 |
| Other Capital Assets | 153,651,016.91 | (52,300.38) | | | | 12,087,161.72 | (250,048.74) | 165,435,829.51 |
| Total Depreciable Assets | 2,041,440,461.85 | (52,300.38) | 179,986,309.96 | | | 84,291,696.28 | (6,771,050.77) | 2,298,895,116.94 |
| Less Accumulated Depreciation for: | | | | | | | | |
| Buildings and Building Improvements | (699,686,356.29) | | | | | (49,002,919.78) | 448,513.16 | (748,240,762.91) |
| Infrastructure | (13,005,090.33) | | | | | (1,466,884.55) | | (14,471,974.88) |
| Facilities and Other Improvements | (62,452,725.25) | 15,254.92 | | | | (6,644,352.44) | | (69,081,822.77) |
| Furniture and Equipment | (142,605,830.60) | (2,766.96) | | | | (22,942,168.37) | 4,316,085.92 | (161,234,680.01) |
| Vehicles, Boats and Aircraft | (11,544,147.64) | (12,487.96) | | | | (1,252,290.72) | 599,885.12 | (12,209,041.20) |
| Other Capital Assets | (69,188,856.34) | | | | | (9,218,116.40) | | (78,406,972.74) |
| Total Accumulated Depreciation | (998,483,006.45) | 0.00 | | | | (90,526,732.26) | 5,364,484.20 | (1,083,645,254.51) |
| Depreciable Assets, Net | 1,042,957,455.40 | (52,300.38) | 179,986,309.96 | | | (6,235,035.98) | (1,406,566.57) | 1,215,249,862.43 |
| Amortizable Assets - Intangible | | | | | | | | |
| Computer Software | 119,814,599.15 | | | | | 11,825,006.83 | (174,262.00) | 131,465,343.98 |
| Total Amortizable Assets - Intangible | 119,814,599.15 | | | | | 11,825,006.83 | (174,262.00) | 131,465,343.98 |
| Less Accumulated Amortization for: | | | | | | | | |
| Computer Software | (41,763,821.70) | | | | | (23,066,931.68) | 172,254.00 | (64,658,499.38) |
| Total Accumulated Amortization | (41,763,821.70) | | | | | (23,066,931.68) | 172,254.00 | (64,658,499.38) |
| Amortizable Assets - Intangible, Net | 78,050,777.45 | | | | | (11,241,924.85) | (2,008.00) | 66,806,844.60 |
| Business-Type Activities Capital Assets, Net | \$1,357,095,959.98 | (\$78,440.72) | \$0.00 | \$0.00 | \$0.00 | \$58,969,987.14 | (\$2,634,118.16) | \$1,413,353,388.24 |

Note 3: Deposits, Investments, and Repurchase Agreements

Texas Tech University System's investment portfolio is invested pursuant to the parameters of applicable Texas law and the governing board's Investment Policies. Under Texas law, Texas Tech University System investments may be "any kind of investment that persons of ordinary prudence, discretion, and intelligence, exercising the judgment and care under the circumstances then prevailing, acquire or retain for their own account in the management of their affairs, not in regard to speculation but in regard to the permanent disposition of their funds, considering the probable income as well as the probable safety of their capital." Under Texas law, Texas Tech University System is required to invest its institutional funds according to written investment policies adopted by the Board of Regents. No person may invest Texas Tech University System funds without express written authority from the governing board.

The governing investment policy is Regents' Rules Chapter 09, "Investment and Endowments." The majority of Texas Tech University System assets are invested in two investment pools; the Long Term Investment Fund (LTIF) and the Short/Intermediate Term Investment Fund (STIF), both having their own stand-alone investment policies. Endowment funds and certain eligible long-term institutional funds are invested in the LTIF, which invests in equity and fixed income securities, as well as alternative investments such as hedge funds and private equity, and is operated

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Texas Tech University System – Notes to the Combined Financial Statements (continued)

using a total return philosophy. Other institutional funds not in the LTIF are invested in the STIF. Other assets include securities gifted to Texas Tech University System with donor instructions to maintain in their original form and bond proceeds invested in external investment pools.

Deposits of Cash in Bank

As of August 31, 2012, the carrying amount of deposits was \$62,891,205.29 as presented below:

Business-Type Activities

| | | |
|---|----|----------------------|
| CASH IN BANK – CARRYING AMOUNT | \$ | 62,891,205.29 |
| Less: Certificates of Deposit including in carrying amount and reported as Cash Equivalent | | |
| Less: Uninvested Securities Lending Cash Collateral including in carrying value and reported as Securities Lending Collateral | | |
| Less: Securities Lending CD Collateral including in carrying value and reported as Securities Lending Collateral | | |
| Cash in Bank per AFR | \$ | <u>62,891,205.29</u> |
| Proprietary Funds Current Assets Cash in Bank | \$ | (23,605,008.02) |
| Proprietary Funds Current Assets Restricted Cash in Bank | | 84,433,915.36 |
| Proprietary Funds Non-Current Assets Restricted Cash in Bank | | <u>2,062,297.95</u> |
| Cash in Bank per AFR | \$ | <u>62,891,205.29</u> |

These amounts consist of all cash in local banks and are included on the Statement of Net Assets as part of current unrestricted and restricted “Cash and Cash Equivalents” and non-current restricted “Cash and Cash Equivalents”.

As of August 31, 2012, the total **bank balance** for Business-Type Activities was \$69,554,193.03.

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the agency will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The System’s policy is to require collateralization of bank balances in excess of FDIC protection. The balance below was transferred to the System’s primary depository, which has sufficient collateral after fiscal year-end.

| Fund Type | GAAP Fund | Uninsured and uncollateralized | Uninsured and collateralized with securities held by the pledging financial institution | Uninsured and collateralized with securities held by the pledging financial institution’s trust department or agent but not in the state’s name |
|-----------|-----------|--------------------------------|---|---|
| 05 | 9999 | \$0 | | |

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Texas Tech University System – Notes to the Combined Financial Statements (continued)

Investments

As of August 31, 2012, the fair value of investments is as presented below.

| Type of Security | Fair Value |
|---|----------------------------------|
| Business-Type Activities | |
| U. S. Government | |
| U.S. Treasury Securities | \$41,988,959.62 |
| U.S. Treasury TIPs | 4,757,182.91 |
| U.S. Government Agency Obligations (Ginnie Mae, Fannie Mae, Freddie Mac, Sallie Mae, etc.) | 80,082,250.00 |
| Corporate Obligations | 20,000.00 |
| Corporate Asset and Mortgage Backed Securities | 1,123.92 |
| Equity | 57,986,517.67 |
| International Obligations | 14,284,122.58 |
| Fixed Income Money Market and Bond Mutual Fund | 384,937,049.75 |
| Mutual Funds | 49,736,641.02 |
| Other Commingled Funds | 130,313,970.00 |
| Other Commingled Funds (Texpool) | 258,753,085.12 |
| International Other Commingled Funds | 107,966,394.88 |
| Real Estate | 42,299,813.58 |
| Externally Managed Investments: | |
| Domestic | 445,855,257.19 |
| International | 6,922,259.18 |
| Miscellaneous | 10,516,803.18 |
| Total Investments | <u>\$1,636,421,430.60</u> |
| | |
| Non-Current Investments | \$1,224,639,387.71 |
| | |
| Items in Cash and Cash Equivalents: | |
| Money Market Funds | 132,128,736.23 |
| Texpool & TexSTAR Investments | 279,653,306.66 |
| | |
| Total | <u>\$1,636,421,430.60</u> |

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, the agency will not be able to recover the value of the investments or collateral securities that are in the possession of an outside party. The System's investment policy is to require third party custody for the two investment pools, the LTIF and the STIF. The balances listed below relate to the securities outside of those pools.

| Fund Type | GAAP Fund | Type | Uninsured and unregistered with securities held by the counterparty | Uninsured and unregistered with securities held by the counterparty's trust department or agent but not in the state's name |
|------------------|------------------|-------------|--|--|
| 05 | 9999 | Equity | \$2,312,867.42 | |

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Texas Tech University System – Notes to the Combined Financial Statements (continued)

Foreign currency risk for investments is the risk that changes in exchange rates will adversely affect the investment. The exposure to foreign currency risk as of August 31, 2012, is as follows.

| Fund Type | GAAP Fund | Foreign Currency | International Obligation | International Other Commingled Funds | International Externally Managed Investments |
|------------------|------------------|-------------------------|---------------------------------|---|---|
| 05 | 9999 | Argentine peso | 302,384.53 | 1,129,891.88 | |
| 05 | 9999 | Australian dollar | | 924,521.69 | 12,304.03 |
| 05 | 9999 | Brazilian real | 1,233,740.05 | 8,520,766.49 | |
| 05 | 9999 | Canadian dollar | 9,736.39 | 1,089,134.28 | |
| 05 | 9999 | Cayman dollar | 70,102.03 | | |
| 05 | 9999 | CFA franc | 398,913.92 | | |
| 05 | 9999 | Chilean Peso | 994,781.14 | 562,273.42 | |
| 05 | 9999 | Chinese yuan | 88,462.09 | 7,898,293.24 | 315.49 |
| 05 | 9999 | Colombian peso | 960,286.49 | | |
| 05 | 9999 | Czech koruna | | 872,680.70 | |
| 05 | 9999 | Danish krone | | 330,551.30 | |
| 05 | 9999 | Dominican peso | 187,773.28 | | |
| 05 | 9999 | Egyptian pound | | 630,779.73 | |
| 05 | 9999 | Euro | 1,053,477.72 | 13,140,289.81 | 6,354,001.89 |
| 05 | 9999 | Hong Kong dollar | 68,989.30 | 1,899,299.45 | |
| 05 | 9999 | Indian rupee | | 4,923,709.73 | 555,637.77 |
| 05 | 9999 | Indonesian rupiah | 1,452,113.42 | 2,131,424.54 | |
| 05 | 9999 | Iraqi dinar | 115,167.61 | | |
| 05 | 9999 | New Israel shekel | | 350,010.12 | |
| 05 | 9999 | Japanese yen | | 10,657,257.51 | |
| 05 | 9999 | Kazakhstani tenge | 372,486.56 | 391,146.74 | |
| 05 | 9999 | Latvian lats | 576,394.43 | | |
| 05 | 9999 | Lithuanian litas | 470,963.21 | | |
| 05 | 9999 | Malaysian ringgit | 2,503.64 | 250,255.82 | |
| 05 | 9999 | Mexican peso | 543,012.53 | 5,756,827.45 | |
| 05 | 9999 | Norwegian krone | | 514,898.09 | |
| 05 | 9999 | Panamanian balboa | 96,529.38 | 176,772.79 | |
| 05 | 9999 | Peruvian nuevo sol | 264,551.70 | 988,816.11 | |
| 05 | 9999 | Phillippino peso | 1,040,959.47 | 879,258.35 | |
| 05 | 9999 | Pound sterling | 112,663.97 | 8,632,242.01 | |
| 05 | 9999 | Qatari riyal | 359,968.35 | | |
| 05 | 9999 | Russian ruble | 180,818.72 | 1,296,619.49 | |
| 05 | 9999 | Singapore dollar | | 1,503,505.80 | |
| 05 | 9999 | South African rand | 461,226.83 | 5,758,054.89 | |
| 05 | 9999 | South Korean won | 95,416.65 | 8,457,279.35 | |
| 05 | 9999 | Swedish krona | | 819,695.56 | |
| 05 | 9999 | Swiss franc | | 6,517,065.48 | |
| 05 | 9999 | New Taiwan dollar | | 5,451,276.08 | |
| 05 | 9999 | Thai baht | 2,503.64 | 2,932,980.83 | |
| 05 | 9999 | New Turkish lira | | 2,223,619.80 | |
| 05 | 9999 | UAE dirham | 50,072.87 | 355,196.35 | |
| 05 | 9999 | Uruguay peso | 591,416.32 | | |
| 05 | 9999 | Venezuela bolivar | 2,126,706.34 | | |
| | | Total | \$14,284,122.58 | \$107,966,394.88 | \$6,922,259.18 |

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Texas Tech University System – Notes to the Combined Financial Statements (continued)

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The System's investment policy limits fixed income securities held by the STIF to those issued by the U.S. or its agencies and instrumentalities. As of August 31, 2012, the System's credit quality distribution for securities with credit risk exposure was as follows.

Standard & Poor's

| Fund Type | GAAP Fund | Investment Type | AAA | AA | A | BBB | BB | Unrated |
|-----------|-----------|--|------------------|--------------|----------------|----------------|----------------|------------------|
| 05 | 9999 | U.S. Government Agency Obligations | \$80,082,250.00 | | | | | |
| 05 | 9999 | Corporate Obligations | | | | | | \$20,000.00 |
| 05 | 9999 | Corporate Asset and Mortgage Backed Securities | 1,123.92 | | | | | |
| 05 | 9999 | International Obligations | | \$757,058.50 | \$1,514,116.99 | \$6,299,298.06 | \$2,542,573.82 | \$3,171,075.21 |
| | | | AAAf | AAf | Af | | | Unrated |
| 05 | 9999 | Fixed Income Money Market and Bond Mutual Fund | \$132,128,736.23 | | | | | \$252,808,313.52 |

Note 4: Short-Term Debt

Texas Tech University System has no outstanding short-term debt as of August 31, 2012.

Note 5: Long-Term Liabilities
Changes in Long-Term Liabilities

During the year ended August 31, 2012, the following changes occurred in liabilities.

| Business-Type Activity | Balance 09/01/11 | Additions | Reductions | Balance 08/31/12 | Amounts Due Within One Year | Amounts Due Thereafter |
|------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-----------------------------|-------------------------|
| Claims Payable | \$17,707,946.23 | \$0.00 | \$2,326,703.97 | \$15,381,242.26 | \$1,307,405.59 | \$14,073,836.67 |
| Capital Lease Payable | 274,344.71 | 274,250.30 | 235,973.72 | 312,621.29 | 158,096.78 | 154,524.51 |
| Notes and Loans | 85,357,000.00 | 49,772,000.00 | 107,970,000.00 | 27,159,000.00 | 27,159,000.00 | 0.00 |
| Revenue Bonds | 450,165,140.36 | 209,809,879.98 | 111,905,000.00 | 548,070,020.34 | 27,680,918.63 | 520,389,101.71 |
| Compensable Leave | 41,007,024.06 | 324,053.75 | 1,431,629.98 | 39,899,447.83 | 4,822,514.27 | 35,076,933.56 |
| Total | \$594,511,455.36 | \$260,180,184.03 | \$223,869,307.67 | \$630,822,331.72 | \$61,127,935.27 | \$569,694,396.45 |

Claims Payable

Claims payable includes estimates for both known medical malpractice claims and those that have not yet been made against the insured participants. The liability is actuarially estimated to reflect the anticipated future claims for past medical services. Some of these claims are in process, while others are expected to be filed in the future. The liability estimate does not consider the probability of payment on a claim-by-claim basis and instead considers overall probability of payment for medical malpractice claims. Funding for future claim payments will be from a self-insurance reserve managed by the office of the General Counsel.

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Texas Tech University System – Notes to the Combined Financial Statements (continued)

Employees' Compensable Leave

A state employee is entitled to be paid for all unused vacation time accrued, in the event of the employee's resignation, dismissal, or separation from State employment, provided the employee has had continuous employment with the State for six months. Under state law, the hours accumulated are limited based on the employees' length of service. Expenditures for accumulated annual leave balances are recognized in the period paid or taken. The liability for unpaid benefits is recorded in the Statement of Net Assets. This obligation is paid from a central vacation pool account which collects the funding from the same funding source(s) from which the employee's salary or wage compensation was paid. No liability is recorded for non-vesting accumulating rights to receive sick pay benefits.

Bonds Payable

See Note 6 for detailed information on bond liability balances and transactions.

Pollution Remediation Obligations

Texas Tech University is waiting further review by the Texas Commission on Environmental Quality to determine the responsible party and the cost for pollution remediation activities on land that the University owns in Carson County, Texas.

Capital Lease Obligations

See Note 8 for detailed information on capital lease obligations.

Notes and Loans Payable

Commercial paper was issued during the fiscal year to finance various construction projects. Debt service for the obligation is provided in general appropriation for tuition revenue bonds and revenue from various projects. All commercial paper outstanding at 8/31/12 will mature in fiscal year 2013.

Commercial paper has short maturities up to 270 days with interest rates ranging from .08% to .18%.

Summary of Debt Service Requirements for Notes Payable

| Fiscal Year | Principal | Interest | Total |
|--------------------|------------------------|--------------------|------------------------|
| 2013 | \$27,159,000.00 | \$81,477.00 | \$27,240,477.00 |
| 2014 | | | |
| 2015 | | | |
| 2016 | | | |
| 2017 | | | |
| All Other Years | | | |
| Total Requirements | <u>\$27,159,000.00</u> | <u>\$81,477.00</u> | <u>\$27,240,477.00</u> |

Note 6: Bonded Indebtedness

Bonds Payable

Several bond issues were outstanding as of August 31, 2012 which are summarized in the paragraphs that follow.

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Texas Tech University System – Notes to the Combined Financial Statements (continued)

Revenue Financing System Bonds, Seventh Series 2001

| | |
|------------------------|--|
| Purpose: | Financing of renovation of Jones Stadium, Student Union and Student Recreational Center, and other projects, current refunding of a portion of Series A Notes, and costs of issuance. Also, financing for projects in El Paso and Lubbock. |
| Original Issue Amount: | \$126,865,000 |
| Issue Date: | January 23, 2002 |
| Interest Rates: | 3.00% to 5.50% |
| Maturity Date Range: | 2002 through 2031 |
| Type of Bond: | Revenue |
| Changes in Debt: | \$0 issued; \$3,995,000.00 retired; \$4,215,000.00 refunded |

Revenue Financing System Bonds, Eighth Series 2001 (Taxable)

| | |
|------------------------|--|
| Purpose: | Financing of renovation of Jones Stadium and costs of issuance |
| Original Issue Amount: | \$42,810,000 |
| Issue Date: | January 23, 2002 |
| Interest Rates: | 3.46% to 6.75% |
| Maturity Date Range: | 2003 through 2031 |
| Type of Bond: | Revenue |
| Changes in Debt: | \$0 issued; \$27,710,000.00 refunded |

Revenue Financing System Refunding and Improvement Bonds, Ninth Series 2003

| | |
|------------------------|--|
| Purpose: | Refunding of Series A Notes and Series 1993 bonds, construction of the Experimental Sciences Building and renovation of Horn/Knapp dormitory and other System construction of capital improvement projects and costs of issuance |
| Original Issue Amount: | \$97,265,000 |
| Issue Date: | September 23, 2003 |
| Interest Rates: | 2.00% to 5.25% |
| Maturity Date Range: | 2004 through 2023 |
| Type of Bond: | Revenue |
| Changes in Debt: | \$0 issued; \$4,495,000.00 retired; \$52,460,000.00 refunded |

Revenue Financing System Refunding and Improvement Bonds, Tenth Series 2006

| | |
|------------------------|---|
| Purpose: | For advanced refunding of Series A Notes and Series 1999 and 2001 bonds, for construction of Murray Hall, renovation of the Student Union Building, Medical Education Building project in El Paso and various dormitories and other University construction of capital improvement projects |
| Original Issue Amount: | \$220,915,000.01 |
| Issue Date: | February 2, 2006 |
| Interest Rates: | 4.00% to 5.00% |
| Maturity Date Range: | 2006 through 2031 |
| Type of Bond: | Revenue |
| Changes in Debt: | \$0 issued; \$5,160,000.00 retired |

UNAUDITED

Texas Tech University System – Notes to the Combined Financial Statements (continued)

Revenue Financing System Refunding and Improvement Bonds, 12th Series 2009

| | |
|-----------------------|--|
| Purpose: | For current refunding of Series A Notes and Series 1999 bonds, to pay for construction of the new College of Business Administration Building, renovation of the existing College of Business Administration Building, construction of the Lanier Professional Development Center, construction of the Student Leisure Pool, and other System construction of capital improvement projects. Financing for the El Paso Medical Facility, Amarillo Pharmacy and Amarillo Research Building projects. For current refunding of ASU portion of Texas State University System bonds and construction of Centennial Village. |
| Original Issue Amount | \$170,825,000.00 |
| Issue Date | March 3, 2009 |
| Interest Rates | 3.00% to 5.25% |
| Maturity Date Range | 2009 through 2038 |
| Type of Bond | Revenue |
| Changes in Debt | \$0 issued; \$9,430,000.00 retired |

Revenue Financing System Refunding and Improvement Bonds, 14th Series 2012A

| | |
|-----------------------|--|
| Purpose: | For refunding of \$96,469,500 of Revenue Financing System Commercial Paper Notes Series A, a partial current refunding of \$4,215,000 of Revenue Financing System Bonds Series 2001 and of \$355,000 of Texas State University System Revenue Financing System Bonds Series 2002 representing ASU's portion. For partial advanced refunding of \$52,460,000 of Revenue Financing System Bonds Series 2003. To provide new funding for the new College of Business Administration Building, the new TTU Boston & 18 th Street Residence Hall and Dining Facility, the new ASU Plaza Verde Phase I Residence Hall & Dining Facilities, Jones Stadium East Side Expansion and other System capital improvement projects. |
| Original Issue Amount | \$163,240,000.00 |
| Issue Date | February 1, 2012 |
| Interest Rates | 2.00% to 5.00% |
| Maturity Date Range | 2012 through 2041 |
| Type of Bond | Revenue |
| Changes in Debt | \$163,240,000.00 issued; \$4,040,000.00 retired |

Revenue Financing System Refunding Bonds, 15th Series 2012B (Taxable)

| | |
|-----------------------|--|
| Purpose: | For current refunding of \$27,710,000 of Revenue Financing System Bonds Taxable Series 2001. |
| Original Issue Amount | \$27,585,000.00 |
| Issue Date | February 1, 2012 |
| Interest Rates | 0.40% to 4.44% |
| Maturity Date Range | 2012 through 2031 |
| Type of Bond | Revenue |
| Changes in Debt | \$27,585,000.00 issued; \$400,000.00 retired |

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Texas Tech University System – Notes to the Combined Financial Statements (continued)

Pledged Future Revenues

GASB Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*, makes a basic distinction between sales of receivables and future revenues, on the one hand, and the pledging of receivables or future revenues to repay a borrowing (a collateralized borrowing), on the other. The following table provides the pledged future revenue information for Texas Tech University System’s revenue bonds:

| | Business-Type Activities |
|--|-------------------------------------|
| Pledged Revenue Required for Future Principal and Interest on Existing Revenue Bonds | \$764,244,016.45 |
| Term of Commitment Year Ending 08/31 | 2041 |
| Percentage of Revenue Pledged | Unable to estimate |
| Current Year Pledged Revenue | \$690,725,360.01 |
| Current Year Principal and Interest Paid | \$50,676,828.05 |
| Pledged Revenue Sources: | |
| Business-Type Activities – Operating income from current unrestricted funds | |

Sources of Debt-Service Revenue

On October 21, 1993, the governing board of the Texas Tech University System established a Revenue Financing System for the purpose of providing a financing structure for all revenue supported indebtedness of Texas Tech University System components. The source of revenues for debt service issued under the Revenue Financing System includes pledged general tuition, pledged tuition fee, pledged general fee and any other revenues, income, receipts, rentals, rates, charges, fees, including interest or other income, and balances lawfully available to Texas Tech University components. Excluded from the revenues described above are amounts received under Article 7, Section 17 of the Constitution of the State of Texas, general revenue funds appropriated by the Legislature except to the extent so specifically appropriated, encumbered housing revenues, and practice plan funds.

Prior to September 1, 2007, all bonded indebtedness for Angelo State University was issued through the Texas State University System (TSUS) Revenue Financing System, of which the Texas State University System Administration and each of their components were members. The TSUS Board of Regents cross-pledged all lawfully available funds (revenues) and balances attributable to any TSUS RFS member against the bonded indebtedness of all other TSUS RFS members for payment on the Parity Debt. Effective September 1, 2007, House Bill 3564 (80th Legislature, Regular Session) transferred governance of Angelo State University to the Texas Tech University System. For the debt issued by the TSUS, the bonds payable are reported by TSUS. ASU will repay the debt that was issued on its behalf; consequently, the following debt amortization schedule is presented below for informational purposes only.

| Description | Year | Principal | Interest | Total |
|-------------|-----------|----------------|------------------------|------------------------|
| All Issues | 2013 | \$2,861,198.80 | \$1,662,353.72 | \$4,523,552.52 |
| | 2014 | 3,059,602.04 | 1,519,293.76 | 4,578,895.80 |
| | 2015 | 2,746,440.13 | 1,366,313.68 | 4,112,753.81 |
| | 2016-2020 | 11,374,833.30 | 4,841,034.14 | 16,215,867.44 |
| | 2021-2025 | 5,570,000.00 | 2,606,500.00 | 8,176,500.00 |
| | 2026-2030 | 4,425,000.00 | 1,488,000.00 | 5,913,000.00 |
| | 2031-2035 | 3,210,000.00 | 326,500.00 | 3,536,500.00 |
| | Totals | | <u>\$33,247,074.27</u> | <u>\$13,809,995.30</u> |

A portion of the ASU debt above represents Tuition Revenue Bonds historically funded by the Texas Legislature through General Revenue Appropriations. ASU was appropriated \$4,003,574.00 during the current fiscal year for Tuition Revenue Bond debt service. ASU expects future Legislative appropriations to meet debt service requirements for Tuition Revenue bonds.

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Texas Tech University System – Notes to the Combined Financial Statements (continued)

Note 7: Derivative Instruments

As of August 31, 2012, Texas Tech University System held no material direct derivative investments. Investment managers in invested vehicles like hedge funds do employ derivatives, and the values associated with those managers reflect those securities.

Note 8: Leases

The System has entered into long-term capital leases for financing the purchase of certain capital assets. Such leases are classified as capital leases for accounting purposes; therefore, such leases are recorded at the present value of the future minimum lease payments at the inception of the lease. The following is a summary of the original capitalized costs of all such property under lease in addition to the accumulated depreciation as of 8/31/12:

| Assets Under Capital Leases | Business-Type Activities |
|--------------------------------|--------------------------|
| Equipment | \$690,812.72 |
| Less: Accumulated Depreciation | <u>(138,480.09)</u> |
| Total | \$552,332.63 |

Future minimum lease payments under these capital leases, together with the present value of the net minimum lease payments at fiscal year end, are as follows:

| Future Minimum Lease Payments | Business-Type Activities | | |
|----------------------------------|--------------------------|--------------------|---------------------|
| <u>Year</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
| 2013 | \$158,096.78 | \$9,114.22 | \$167,211.00 |
| 2014 | 118,938.29 | 4,816.24 | 123,754.53 |
| 2015 | 35,586.22 | 1,933.77 | 37,519.99 |
| Total | <u>\$312,621.29</u> | <u>\$15,864.23</u> | <u>\$328,485.52</u> |

Included in the expenditures reported in the financial statements is the following amount of rent paid or due under operating lease obligations:

| | |
|--------------------------------|----------------|
| <u>Fund Type</u> | |
| Enterprise Fund – Fund Type 05 | \$4,777,551.48 |

Texas Tech University System has entered into various operating leases for buildings and equipment. Future minimum lease rental payments under non-cancelable operating leases having an initial term in excess of one year are as follows:

| | |
|--|------------------------|
| <u>Fiscal Year</u> | |
| 2013 | \$4,852,638.58 |
| 2014 | 4,780,804.55 |
| 2015 | 4,518,917.68 |
| 2016 | 4,382,389.67 |
| 2017 | 4,446,423.17 |
| Total Minimum Future Lease Rental Payments | <u>\$22,981,173.65</u> |

UNAUDITED

Texas Tech University System – Notes to the Combined Financial Statements (continued)

Texas Tech University System has operating lease income for leased building space to various outside parties under various operating leases. Included in the revenues reported in the financial statements is \$852,556.67 for rent received under operating lease rentals as of August 31, 2012.

Future minimum lease rentals under non-cancelable operating leases having an initial term in excess of one year are as follows:

| <u>Fiscal Year</u> | |
|------------------------------------|-----------------------|
| 2013 | \$848,165.86 |
| 2014 | 863,779.90 |
| 2015 | 875,646.31 |
| 2016 | 887,587.19 |
| 2017 | 897,645.31 |
| Total Minimum Future Lease Rentals | <u>\$4,372,824.57</u> |

The carrying value of the leased building space is \$7,801,023.41. The historical cost of the leased building space is \$17,996,076.31 and the related accumulated depreciation for the leased building space is \$10,195,052.90. The historical cost, accumulated depreciation and carrying value of the leased building space represents 7.46% of the full carrying value of the leased buildings. There were no reported contingent rental revenues.

Note 9: Pension Plans

The State has established an Optional Retirement Program (ORP) for institutions of higher education. Participation in ORP is in lieu of participation in the Teacher's Retirement System and is available to certain eligible employees. The contributions made by plan members and the employer for the fiscal year ended August 31, 2012 are:

| | <u>Year Ended August 31, 2012</u> |
|------------------------|---------------------------------------|
| Member Contributions | \$17,870,523.33 |
| Employer Contributions | 18,829,758.77 |
| Total | <u>\$36,700,282.10</u> |

Note 10: Deferred Compensation (administering agencies only)

Not applicable.

Note 11: Postemployment Health Care and Life Insurance Benefits (administering agencies only)

Not applicable.

Note 12: Interfund Activity and Transactions

As explained in Note 1 on interfund activities and transactions, there are numerous transactions between funds and agencies. At year-end, amounts to be received or paid are reported as:

Interfund Receivables or Interfund Payables
Due from Other Agencies or Due to Other Agencies
Transfers In or Transfers Out
Interagency Capital Asset Transfers
Legislative Transfers In or Legislative Transfers Out

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Texas Tech University System – Notes to the Combined Financial Statements (continued)

The agency experienced routine transfers with other state agencies, which were consistent with the activities of the fund making the transfer. Repayment of interfund balances will occur within one year from the date of the financial statement.

Individual balances and activity at August 31, 2012, follows:

| <u>Due from Other State Agencies</u> | <u>Amount</u> |
|--|-------------------------------------|
| Office of the Governor (Agency 300) | \$63,763.70 |
| Department of State Health Services (Agency 537) | 182,908.98 |
| Texas Department of Agriculture (Agency 551) | 200,040.55 |
| Texas Education Agency (Agency 701) | 248,798.84 |
| Texas School for the Blind (Agency 771) | 48,748.90 |
| Texas Water Development Board (Agency 580) | 473,128.82 |
| Texas Commission on Environmental Quality (Agency 582) | 21,825.86 |
| Texas Parks Wildlife (Agency 802) | 213,329.37 |
| Texas Workforce Commission (Agency 320) | 33,836.19 |
| Texas Department of Motor Vehicles (Agency 608) | 91,369.91 |
| University of North Texas Health Science Center (Agency 763) | 3,745.67 |
| University of Texas Health Science-San Antonio (Agency 745) | 2,361.62 |
| Texas State University – San Marcus (Agency 754) | 35,270.31 |
| Texas Higher Education Coordinating Board (Agency 781) | 123,967.26 |
| University of Texas System (Agency 720) | 5,073,932.72 |
| University of Texas at Austin (Agency 721) | 31,002.29 |
| Texas A&M University-Kingsville (Agency 732) | 12,367.18 |
| University of Texas at Dallas (Agency 738) | 79,292.96 |
| Cancer Prevention and Research Institute of Texas (Agency 542) | 473,403.34 |
| Texas Agrilife Extension Service (Agency 555) | 46,086.05 |
| Texas Agrilife Research (Agency 556) | 70,727.79 |
| The University of Texas at Arlington (Agency 714) | 51,279.69 |
| University of Texas SW Medical Center – Dallas (Agency 729) | 32,868.62 |
| University of Texas – El Paso (Agency 724) | 7,689.94 |
| Stephen F. Austin University (Agency 755) | 415,441.02 |
| West Texas A&M University (Agency 757) | 33,502.76 |
| TAMU Corpus Christi (Agency 760) | 2,978.02 |
| | <hr/> |
| Total Due from Other State Agencies | <u><u>\$8,073,668.36</u></u> |

| <u>Due to Other State Agencies</u> | <u>Amount</u> |
|--|-------------------------------------|
| Office of the Governor (Agency 300) | \$2,092,123.55 |
| The University of Texas at San Antonio (Agency 743) | 11,927.52 |
| University of Texas HSC-San Antonio (Agency 745) | 1,220.50 |
| The University of North Texas (Agency 752) | 7,178.96 |
| Sul Ross State University (Agency 756) | 10,368.38 |
| West Texas A&M University (Agency 757) | 155,152.36 |
| Texas Higher Education Coordinating Board (Agency 781) | 327,344.21 |
| Texas Agrilife Extension Service (Agency 555) | 54,842.09 |
| Texas Agrilife Research (Agency 556) | 111,498.46 |
| Tarleton State University (Agency 713) | 106,363.70 |
| The University of Texas System (Agency 720) | 1,915.78 |
| The University of Houston (Agency 730) | 1,525.09 |
| Midwestern State University (Agency 735) | 55,664.31 |
| Texas A&M University – Corpus Christi (Agency 760) | 14,437.96 |
| | <hr/> |
| Total Due to Other State Agencies | <u><u>\$2,951,562.87</u></u> |

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Texas Tech University System – Notes to the Combined Financial Statements (continued)

| <u>Transfers Out to Other State Agencies</u> | <u>Amount</u> |
|--|--------------------------------------|
| Texas Higher Education Coordinating Board (Agency 781) | \$4,353,114.32 |
| Texas State University System (Agency 758) | 2,184,733.67 |
| Texas Public Finance Authority (Agency 347) | 636,694.71 |
| Texas Department of State Health Services (Agency 529) | <u>3,200,000.00</u> |
| Total Transfers Out to Other State Agencies | <u><u>\$10,374,542.70</u></u> |

| <u>Transfers In from Other State Agencies</u> | <u>Amount</u> |
|---|-------------------------------------|
| Comptroller of Public Accounts (Agency 902) | <u>\$7,877,932.04</u> |
| Total Transfers In from Other State Agencies | <u><u>\$7,877,932.04</u></u> |

| <u>Legislative Transfers Out</u> | <u>Amount</u> |
|--|-------------------------------------|
| Texas State University System (Agency 758) | <u>\$2,919,683.08</u> |
| Total Legislative Transfers Out | <u><u>\$2,919,683.08</u></u> |

The detailed state grant pass-through information is listed on the Combined Schedule 1B – Schedule of State Grant Pass-Throughs from/to State Agencies.

Note 13: Continuance Subject to Review

Texas Tech University System is not subject to the Texas Sunset Act.

Note 14: Adjustments to Fund Balances and Net Assets

Texas Tech University System has no restatement of Fund Balance or Net Assets as of August 31, 2012.

Note 15: Contingencies and Commitments

Contingencies

At August 31, 2012, lawsuits and claims involving Texas Tech University System were pending. While the ultimate liability with respect to litigation and other claims asserted against the System cannot be precisely estimated at this time, such liability, to the extent not provided for by insurance or otherwise, is in legal counsel's opinion, not likely to have a material effect on the System.

Investment Funds

At August 31, 2012, Texas Tech University System entered into capital commitments with investment managers for future funding of investment funds. Investment funds include hedge fund pools, private investment pools, public market funds and other alternative investments managed by external investment managers. At August 31, 2012, the remaining commitment is domestic \$122,534,428.

Note 16: Subsequent Events

Texas Tech University System has no subsequent events to report as of August 31, 2012.

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Texas Tech University System – Notes to the Combined Financial Statements (continued)

Note 17: Risk Management

Texas Tech University System by State law is required to be a participant in the Workers Compensation Program and Pool managed by the State Office of Risk Management (SORM). The University is assessed fees by SORM based upon claims experience, claim incidences, payroll size and FTE. SORM also determines the methodology for allocation to the major fund groups. The State Office of Risk Management pays all WCI claims. The Worker's Compensation pool for the fiscal year was funded by a .25 percent charge on non-educational and general gross payroll for paying its proportionate share of the SORM assessment.

The System has self-insured arrangements for Unemployment Compensation Fund coverage. The State of Texas pays 50% of claims for employees paid from state funds. The System pays the remainder for employees paid from state funds and 100% of the claims paid from non-state funds. The claims for employees paid from non-state funds are funded by interest earnings on the Unemployment Compensation Fund balance and utilization of fund balance.

Note 18: Management Discussion and Analysis

The Texas Tech University System is composed of a central administrative unit, the Texas Tech University System Administration and three component institutions – Texas Tech University, Texas Tech University Health Sciences Center, and Angelo State University. These three separate academic institutions are governed by the ten-member Board of Regents. The Regents are appointed by the Governor of the State of Texas to six-year terms with the exception of a student Regent who is appointed to a one-year term. The Chancellor is the chief executive officer of the System and is appointed by and reports directly to the Board of Regents. The Chancellor and his staff are supported by the administrative agency, the Texas Tech University System Administration.

Texas Tech University, based in Lubbock, is one of the state's largest major comprehensive universities. Over 32,000 students enroll annually, coming from 49 states and more than 117 foreign countries. These students choose from among 152 undergraduate, 107 masters, and 64 doctoral programs.

Texas Tech University Health Sciences Center has an enrollment of approximately 4,000 students in its schools of medicine, nursing, allied health, pharmacy, and the graduate school of biomedical sciences. The Lubbock campus serves as the administrative hub for the Health Sciences Center, with regional campuses located in Abilene, Amarillo, Dallas, El Paso, Midland and Odessa.

Angelo State University, based in San Angelo, was established in 1928 as San Angelo College; in 1965 new legislation was passed to create Angelo State College. ASU's campus covers more than 268 acres and enrolls more than 7,000 students from 210 of Texas' 254 counties, 41 other states and 22 countries.

The Texas Tech University System employs more than 17,000 faculty and staff. The annual combined budget of the System totals more than \$1.5 billion; approximately \$349 million of these funds are appropriated by the Texas Legislature. The total enrollment across all components is more than 43,000 students.

The Texas Tech University System is committed to providing the highest quality and most efficient resources and services to its components. Throughout all institutions and centers, the System strives to increase accessibility, enhance instruction and infrastructure formula funding, provide necessary financial aid, produce and commercialize new technologies, strengthen academic quality and reputation, advance research, improve productivity and efficiency, and further the quality and availability of health care for all Texans.

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Texas Tech University System – Notes to the Combined Financial Statements (continued)

Note 19: The Financial Reporting Entity

The Financial Reporting Entity

The Texas Tech University System is an agency of the State of Texas. As required by generally accepted accounting principles, these financial statements present the Texas Tech University System. The component units discussed below this note are included in the System's reporting entity because of the significance of their operational or financial relationships with the System.

Individual Component Unit Disclosures

The Texas Tech Foundation, Inc. (TTFI) is a not-for-profit 501(c)(3) organization, exempt from income taxes. The Texas Tech Foundation, Inc. was founded to financially support and serve the fundraising needs of all colleges, schools, programs, and campuses of the Texas Tech University System. Based on the application of the GASB Standard No. 14 criteria, the Texas Tech Foundation, Inc. has been blended into these financial statements because of the significance of its financial relationship with the System.

Texas Tech Physician Associates (TPPA) is a certified non-profit health corporation authorized under the Medical Practice Act Section 5.01(a), article 4495b of the State of Texas. TPPA was created for the purpose of entering into prepaid capitation agreements for physician and other medical services. TPPA is exempt from tax under Internal Revenue Service code section 501(c)(3). The TPPA board consists of nine directors appointed by TTUHSC.

The Robert G. Carr and Nona K. Carr Scholarship Foundation was established for the benefit of Angelo State University. The Foundation is included in the Texas Tech University System financial statements as a blended component unit.

The National Wind Resource Center (NWRC) is a not-for-profit 501(c)(3) organization, exempt from income taxes, and is reported as a blended component unit of Texas Tech University. The NWRC was founded to support research at Texas Tech University. Based on the application of GASB Standard No. 14 criteria, the NWRC's financial data has been blended into these financial statements as a blended component unit.

Note 20: Stewardship, Compliance and Accountability

The System has no material stewardship, compliance, and accountability issues.

Note 21: N/A

Note 22: Donor Restricted Endowments

Expenditure of endowed funds is not allowed without the express consent of the donor. Most of Texas Tech University System endowments are held in perpetuity. In many cases, endowment earnings are expendable for student financial assistance or other purposes as designated by the donor. In other cases, endowment earnings are reinvested.

Endowment assets are invested predominantly in the Long Term Investment Fund (LTIF). The LTIF has experienced varying performance since its inception. The cumulative effect of valuation changes assignable to endowment fund assets are summarized in the following table:

| Donor-Restricted Endowment | Amount of Net Appreciation * | Reported in Net Assets |
|-----------------------------------|-------------------------------------|-------------------------------|
| True Endowments | \$37,714,160.99 | Restricted Expendable |
| Term Endowments | 54,630.56 | Restricted Expendable |
| Total | <u>\$37,768,791.55</u> | |

*There was a positive fair value adjustment totaling \$7,400,306.37 for fiscal year 2012.

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Texas Tech University System – Notes to the Combined Financial Statements (continued)

Note 23: Extraordinary and Special Items

Texas Tech University System has no special or extraordinary items to report as of August 31, 2012.

Note 24: Disaggregation of Receivable and Payable Balances

Texas Tech University System has no reportable disaggregation of receivable and payable balances as of August 31, 2012.

Note 25: Termination Benefits

Texas Tech University System has no reportable voluntary or involuntary termination benefits as of August 31, 2012.

Note 26: Segment Information

Texas Tech University System has no reportable segments as of August 31, 2012.

SCHEDULES

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**Texas Tech University System
Combined Schedule 1A - Schedule of Expenditures of Federal Awards
For the Year Ended August 31, 2012**

Note 7: Federal Deferred Revenue

The deferred revenue of \$1,259,637.08 is federal grant prepayments that have not yet been earned.

| | Balance 9/1/11 | Net Change | Balance 8/31/12 |
|--------|----------------------|----------------------|------------------------|
| 10.290 | 7,520.53 | (7,520.53) | 0.00 |
| 10.303 | - | 3.22 | 3.22 |
| 10.309 | 7,204.20 | (7,204.20) | 0.00 |
| 10.961 | 2,275.50 | (2,275.50) | 0.00 |
| 11.468 | - | 16,552.41 | 16,552.41 |
| 12.000 | 33,808.25 | (18,532.65) | 15,275.60 |
| 12.351 | 94,135.02 | 22,358.95 | 116,493.97 |
| 12.420 | 92,158.58 | 106,144.02 | 198,302.60 |
| 12.431 | 677.59 | (677.59) | 0.00 |
| 12.800 | 77,888.72 | (59,209.40) | 18,679.32 |
| 12.910 | 501,936.74 | 247,517.80 | 749,454.54 |
| 15.640 | 13,963.40 | (13,963.40) | 0.00 |
| 15.660 | 9,755.01 | (9,755.01) | 0.00 |
| 43.000 | 817.00 | 10,672.99 | 11,489.99 |
| 43.001 | 5,906.88 | (5,906.88) | 0.00 |
| 43.003 | 0.00 | 637.30 | 637.30 |
| 45.149 | 1,638.84 | (1,638.84) | 0.00 |
| 47.041 | 7,133.53 | 970.65 | 8,104.18 |
| 47.050 | 0.00 | 9,202.80 | 9,202.80 |
| 47.082 | 0.00 | 10,831.57 | 10,831.57 |
| 66.509 | 0.00 | 70.12 | 70.12 |
| 66.514 | 17,226.57 | (1,510.50) | 15,716.07 |
| 81.000 | 3,935.12 | (2,705.26) | 1,229.86 |
| 81.049 | 0.00 | 204.39 | 204.39 |
| 81.087 | 181.63 | 128.28 | 309.91 |
| 84.031 | 0.00 | 3,020.37 | 3,020.37 |
| 84.047 | 0.00 | 2,234.41 | 2,234.41 |
| 84.048 | 649.60 | 876.38 | 1,525.98 |
| 84.153 | 0.00 | 15.53 | 15.53 |
| 84.325 | 1,823.86 | 15,043.33 | 16,867.19 |
| 84.367 | 0.00 | 20,000.00 | 20,000.00 |
| 84.928 | 13,524.36 | (837.60) | 12,686.76 |
| 93.000 | 0.00 | 5,565.41 | 5,565.41 |
| 93.121 | 13,460.24 | 2,335.95 | 15,796.19 |
| 93.173 | 29,867.81 | (29,867.81) | 0.00 |
| 93.510 | 0.00 | 2,056.73 | 2,056.73 |
| 93.701 | 0.00 | 7,310.66 | 7,310.66 |
| 93.917 | 11,310.79 | (11,310.79) | 0.00 |
| | <u>\$ 948,799.77</u> | <u>\$ 310,837.31</u> | <u>\$ 1,259,637.08</u> |

Note 8: Supplemental Nutrition Assistance Program (SNAP) - Does not apply to the System

Texas Tech University System
Combined Schedule 1B - Schedule of State Grant Pass-Throughs From/To State Agencies
For the Year Ended August 31, 2012

Pass-Throughs From:

Office of the Governor (Agency 300)

Texas Emerging Technology Grant \$ 2,256,465.76

Texas State Board of Public Accountancy (Agency 457)

5th Year Accounting Student Scholarship Program 17,646.00

Commission on State Emergency Communications (Agency 477)

Poison Control Centers 679,106.17

Cancer Prevention and Research Institute of Texas (Agency 542)

| | |
|--|--------------|
| Microfluidic Technology for Screening of Tumor Cells | 117,310.00 |
| Partnership for Cancer Prevention in Rural Communities | 137,571.66 |
| Guidelines for Treating Tobacco Use and Dependence in Oncology and Primary Care Settings | 102,888.51 |
| Beam-Scanning Radar for Tumor Tracking in Lung Cancer | 37,726.73 |
| Validation of a MCL1 Promoter Deletion as a Molecular Marker | 153,887.52 |
| Molecular Mechanisms of Novel Inhibitors of the Multidrug | 222,002.99 |
| Access to Breast Care for West Texas - ABC 4 WT | 688,933.90 |
| West Texas Cancer Survivors Network (WTCSN) | 162,184.55 |
| Enhancing the Anti-Neurblastoma Activity of Fenretinide | 277,622.46 |
| Administrative Core | 59,240.23 |
| C1: Biobanking of Cell Lines and Xenografts | 258,674.51 |
| P3: Establishing and Characterizing New Cancer Direct Xenografts | 310,761.39 |
| Multiphoton Laser Scanning Microscope for Cancer Research | 669,228.05 |
| PP110156 - ACCION: Against Colorectal Cancer in our Neighborhoods | 263,449.76 |
| RP120168 - Identification of Rheb and Notch-dependent Pathways | 42,390.67 |
| RP120489 - Transporter-Targeted Drug Delivery and Treatment | 63,688.13 |
| RP120495 - North Texas Clinical Pharmacology Cancer Care | 1,121,782.11 |
| RP120528 - Establishing a Cancer Clinical Research Core Facility | 50,942.21 |
| | <hr/> |
| | 4,740,285.38 |

Department of State Health Services (Agency 537)

| | |
|------------------------------------|--------------|
| Epilepsy Project | 115,686.93 |
| Obesity | 6,770.39 |
| Radiopharmaceutical Mfg | (210,612.33) |
| Healthy Texas Babies Initiative | 54,986.94 |
| Cardiovascular Health and Wellness | 4,235.21 |
| | <hr/> |
| | (28,932.86) |

Texas Department of Agriculture (Agency 551)

| | |
|--|------------|
| Determination of Individual Fibers | 0.11 |
| Enology and Viticulture Education and Research Grant | 128,353.74 |
| Enology Grant | 78,703.40 |
| Evaluation of Fiber Properties | 0.01 |
| Fabric Care and Finishing Issues | (0.01) |
| Further Development of Naked Tufted | (0.06) |
| Molecular Breeding for Improvement | 844.63 |
| Multidisciplinary Approach to Study | (0.18) |
| New Approach to Impart Super Oleoph | (0.07) |
| Optimizing the Use of the Advanced | (0.01) |
| T09 44 Cotton Specific Decontaminant | (0.02) |
| T09 50 Self Cleaning Cotton Nanofibers | (2,932.49) |
| Texas Agricultural Research Database | 0.03 |
| Natural Fibers Research Grant | 92,682.16 |
| | <hr/> |
| | 297,651.24 |

Texas Water Development Board (Agency 580)

| | |
|--------------------------------------|-------------|
| WSC - Agriculture Water Conservation | 464,658.56 |
| WSC - Research | (20,376.25) |
| | <hr/> |
| | 444,282.31 |

**Texas Tech University System
 Combined Schedule 1B - Schedule of State Grant Pass-Throughs From/To State Agencies
 For the Year Ended August 31, 2012**

Texas Commission on Environmental Quality (Agency 582)

| | |
|--|------------------|
| Effectiveness and Utility of Surface Application for Removal of Pharmaceutical and Personal Care Product Microcontaminants | 36,403.88 |
| Refining Rates for On-site Surface Application | 11,491.24 |
| Design & Operation of Land Application Stems | 5,985.23 |
| | <u>53,880.35</u> |

University of Texas System (Agency 720)

| | |
|--|------------|
| Joint Admission Medical Program (JAMP) | 335,547.61 |
|--|------------|

University of Texas - Dallas (Agency 738)

| | |
|---|-----------|
| Texas Analog Research Superiority Program | 90,668.95 |
|---|-----------|

Texas Higher Education Coordinating Board (Agency 781)

| | |
|---|----------------------|
| College Readiness-Outreach | 12,000.55 |
| Work Study Mentorship Program | 75,000.00 |
| Top 10% Scholarships | 1,374,355.00 |
| Texas Research Incentive Program - HB51 | 3,814,940.87 |
| Texas Grant Program | 13,877,443.00 |
| Advanced Research Program | (226,718.86) |
| College Work Study Program | 230,398.77 |
| Nursing Shortage Reduction | 928,831.00 |
| Combat Exemption Program SB297 | (2,755.46) |
| Early High School Program HB1479 | 149,531.55 |
| Certified Education Aide Program | 393.31 |
| Family Practice Residency Program | 477,482.61 |
| Nursing & Allied Health | 150,654.00 |
| Ken Ashworth Scholarship Fund | 2,000.00 |
| Emergency and Trauma Care | 120,063.00 |
| | <u>20,983,619.34</u> |

Total Pass-Throughs from Other Agencies \$ 29,870,220.25

Pass-Through To:

Texas Agrilife Extension Service (Agency 555)

| | |
|---|-------------------|
| Texas Enology Teaching Research and Extension Program | \$ 14,422.15 |
| An Integrated Approach to Water Conservation | 205,366.03 |
| | <u>219,788.18</u> |

Texas Agrilife Research (Agency 556)

| | |
|--|-----------|
| CPRIT Auditing Irrigation Systems in the Texas High Plains | 17,365.77 |
|--|-----------|

Texas A&M University (Agency 711)

| | |
|---|----------|
| CPRIT ACCION - Against Colorectal Cancer in our Neighborhoods | 3,244.81 |
|---|----------|

University of Texas Health Science Center at Houston (Agency 744)

| | |
|---|-----------|
| CPRIT ACCION - Against Colorectal Cancer in our Neighborhoods | 30,383.77 |
|---|-----------|

University of North Texas (Agency 752)

| | |
|--|-----------|
| CPRIT Beam Scanning Radar for Tumor Tracking | 29,247.12 |
|--|-----------|

West Texas A&M University (Agency 757)

| | |
|---|------------|
| Basic/Core Area Health Education Center | 213,516.99 |
|---|------------|

Total Pass-Through To Other Agencies \$ 513,546.64

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**Texas Tech University System
 Combined Schedule 2A - Miscellaneous Bond Information
 For the Year Ended August 31, 2012**

| <u>Description of Issue</u> | <u>Bonds Issued to Date</u> | <u>Range of Interest Rates</u> | | <u>Scheduled Maturities</u> | | <u>First Call Date</u> |
|---|-------------------------------------|------------------------------------|-------|-----------------------------|----------------------|--------------------------------|
| | | | | <u>First Year</u> | <u>Last Year</u> | |
| Revenue Bonds | | | | | | |
| Rev Fin Sys Bds 7th Ser '01 | \$ 126,865,000.00 | 3.00% | 5.50% | 2002 | 2031 | 2/15/2012 |
| Rev Fin Sys Bds Tax 8th Ser '01 | 42,810,000.00 | 3.46% | 6.75% | 2003 | 2031 | 8/15/2012 |
| Rev Fin Sys Ref & Imp Bds 9th Ser '03 | 97,265,000.00 | 2.00% | 5.25% | 2004 | 2023 | 8/15/2013 |
| Rev Fin Sys Ref & Imp Bds 10th Ser '06 | 220,915,000.01 | 4.00% | 5.00% | 2006 | 2031 | 2/15/2016 |
| Rev Fin Sys Ref & Imp Bds 12th Ser '09 | 170,825,000.00 | 3.00% | 5.25% | 2009 | 2038 | 2/15/2019 |
| Rev Fin Sys Ref & Imp Bds 14th Ser '12A | 163,240,000.00 | 2.00% | 5.00% | 2012 | 2041 | 8/15/2021 |
| Rev Fin Sys Ref Bds Tax 15th Ser '12B | <u>27,585,000.00</u> | 0.40% | 4.44% | 2012 | 2031 | 8/15/2021 |
| Total | <u>\$ 849,505,000.01</u> | | | | | |

UNAUDITED

Texas Tech University System
 Combined Schedule 2B - Changes in Bonded Indebtedness
 For the Year Ended August 31, 2012

| Description of Issue | Bonds Outstanding 9/1/11 | Bonds Issued | Bonds Matured or Retired | Bonds Refunded or Extinguished | Bonds Outstanding 8/31/12 |
|---|--------------------------------|--------------------------|--------------------------------|--------------------------------------|---------------------------------|
| Revenue Bonds | | | | | |
| Rev Fin Sys Bds 7th Ser '01 | \$ 8,210,000.00 | | \$ 3,995,000.00 | \$ 4,215,000.00 | \$ 0.00 |
| Rev Fin Sys Bds Tax 8th Ser '01 | 27,710,000.00 | | | 27,710,000.00 | 0.00 |
| Rev Fin Sys Ref & Imp Bds 9th Ser '03 | 66,435,000.00 | | 4,495,000.00 | 52,460,000.00 | 9,480,000.00 |
| Rev Fin Sys Ref & Imp Bds 10th Ser '06 | 199,950,000.00 | | 5,160,000.00 | | 194,790,000.00 |
| Rev Fin Sys Ref & Imp Bds 12th Ser '09 | 140,415,000.00 | | 9,430,000.00 | | 130,985,000.00 |
| Rev Fin Sys Ref & Imp Bds 14th Ser '12A | | 163,240,000.00 | 4,040,000.00 | | 159,200,000.00 |
| Rev Fin Sys Ref Bds Tax 15th Ser '12B | | 27,585,000.00 | 400,000.00 | | 27,185,000.00 |
| Total | \$ 442,720,000.00 | \$ 190,825,000.00 | \$ 27,520,000.00 | \$ 84,385,000.00 | \$ 521,640,000.00 |

| Description of Issue | Unamortized Premium | Unamortized Gain/ (Loss) on Refunding | Net Bonds Outstanding 8/31/12 | Amounts Due Within One Year |
|---|-------------------------|--|-------------------------------------|-----------------------------------|
| Revenue Bonds | | | | |
| Rev Fin Sys Bds 7th Ser '01 | | | \$ 0.00 | \$ 0.00 |
| Rev Fin Sys Bds Tax 8th Ser '01 | | | 0.00 | 0.00 |
| Rev Fin Sys Ref & Imp Bds 9th Ser '03 | | | 9,480,000.00 | 4,735,000.00 |
| Rev Fin Sys Ref & Imp Bds 10th Ser '06 | | | 194,790,000.00 | 5,410,000.00 |
| Rev Fin Sys Ref & Imp Bds 12th Ser '09 | 7,136,732.30 | | 138,121,732.30 | 9,898,408.06 |
| Rev Fin Sys Ref & Imp Bds 14th Ser '12A | 21,856,924.23 | (2,563,636.19) | 178,493,288.04 | 6,817,510.57 |
| Rev Fin Sys Ref Bds Tax 15th Ser '12B | | | 27,185,000.00 | 820,000.00 |
| Total | \$ 28,993,656.53 | \$ (2,563,636.19) | \$ 548,070,020.34 | \$ 27,680,918.63 |

Note: 12th Series amount due within one year includes bond premium amortization of \$308,408.06. The 14th Series amount due within one year includes bond premium amortization of \$2,186,146.76 and loss on refunding amortization of (\$2,563,636.19).

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**Texas Tech University System
Combined Schedule 2C - Debt Service Requirements
For the Year Ended August 31, 2012**

| Description of Issue | Fiscal Year | Principal | Interest | Total |
|---|-------------|--------------------------|--------------------------|--------------------------|
| Revenue Bonds | | | | |
| Rev Fin Sys Ref & Imp Bds 9th Ser '03 | | | | |
| | 2013 | 4,735,000.00 | 367,150.00 | 5,102,150.00 |
| | 2014 | 4,475,000.00 | 131,306.25 | 4,606,306.25 |
| | 2015 | 25,000.00 | 13,181.25 | 38,181.25 |
| | 2016 | 25,000.00 | 11,868.75 | 36,868.75 |
| | 2017 | 25,000.00 | 10,556.25 | 35,556.25 |
| | 2018-2022 | 160,000.00 | 29,650.00 | 189,650.00 |
| | 2023 | 35,000.00 | 875.00 | 35,875.00 |
| | | <u>9,480,000.00</u> | <u>564,587.50</u> | <u>10,044,587.50</u> |
| Rev Fin Sys Ref & Imp Bds 10th Ser '06 | | | | |
| | 2013 | 5,410,000.00 | 9,146,444.98 | 14,556,444.98 |
| | 2014 | 10,245,000.00 | 8,755,070.01 | 19,000,070.01 |
| | 2015 | 10,780,000.00 | 8,229,445.02 | 19,009,445.02 |
| | 2016 | 11,320,000.00 | 7,676,945.03 | 18,996,945.03 |
| | 2017 | 11,625,000.00 | 7,103,320.04 | 18,728,320.04 |
| | 2018-2022 | 73,085,000.00 | 25,961,722.49 | 99,046,722.49 |
| | 2023-2027 | 56,320,000.00 | 10,512,124.83 | 66,832,124.83 |
| | 2028-2031 | 16,005,000.00 | 1,233,312.50 | 17,238,312.50 |
| | | <u>194,790,000.00</u> | <u>78,618,384.90</u> | <u>273,408,384.90</u> |
| Rev Fin Sys Ref & Imp Bds 12th Ser '09 | | | | |
| | 2013 | 9,590,000.00 | 6,099,381.26 | 15,689,381.26 |
| | 2014 | 9,810,000.00 | 5,760,431.25 | 15,570,431.25 |
| | 2015 | 9,375,000.00 | 5,378,906.25 | 14,753,906.25 |
| | 2016 | 8,005,000.00 | 4,944,406.26 | 12,949,406.26 |
| | 2017 | 8,400,000.00 | 4,534,281.26 | 12,934,281.26 |
| | 2018-2022 | 26,900,000.00 | 18,324,906.30 | 45,224,906.30 |
| | 2023-2027 | 33,695,000.00 | 10,852,281.30 | 44,547,281.30 |
| | 2028-2032 | 13,710,000.00 | 4,129,875.04 | 17,839,875.04 |
| | 2033-2037 | 9,325,000.00 | 1,844,984.38 | 11,169,984.38 |
| | 2038 | 2,175,000.00 | 57,093.75 | 2,232,093.75 |
| | | <u>130,985,000.00</u> | <u>61,926,547.05</u> | <u>192,911,547.05</u> |
| Rev Fin Sys Ref & Imp Bds 14th Ser '12A | | | | |
| | 2013 | 7,195,000.00 | 7,089,875.00 | 14,284,875.00 |
| | 2014 | 3,900,000.00 | 6,945,975.00 | 10,845,975.00 |
| | 2015 | 8,575,000.00 | 6,828,975.00 | 15,403,975.00 |
| | 2016 | 8,845,000.00 | 6,571,725.00 | 15,416,725.00 |
| | 2017 | 9,115,000.00 | 6,306,375.00 | 15,421,375.00 |
| | 2018-2022 | 49,770,000.00 | 24,323,112.50 | 74,093,112.50 |
| | 2023-2027 | 19,830,000.00 | 15,553,750.00 | 35,383,750.00 |
| | 2028-2032 | 22,160,000.00 | 10,424,500.00 | 32,584,500.00 |
| | 2033-2037 | 21,745,000.00 | 4,618,250.00 | 26,363,250.00 |
| | 2038-2041 | 8,065,000.00 | 822,200.00 | 8,887,200.00 |
| | | <u>159,200,000.00</u> | <u>89,484,737.50</u> | <u>248,684,737.50</u> |
| Rev Fin Sys Ref Bds Tax 15th Ser '12B | | | | |
| | 2013 | 820,000.00 | 916,849.00 | 1,736,849.00 |
| | 2014 | 825,000.00 | 909,059.00 | 1,734,059.00 |
| | 2015 | 870,000.00 | 899,819.00 | 1,769,819.00 |
| | 2016 | 870,000.00 | 888,335.00 | 1,758,335.00 |
| | 2017 | 890,000.00 | 875,111.00 | 1,765,111.00 |
| | 2018-2022 | 6,935,000.00 | 3,925,868.00 | 10,860,868.00 |
| | 2023-2027 | 8,165,000.00 | 2,708,938.50 | 10,873,938.50 |
| | 2028-2031 | 7,810,000.00 | 885,780.00 | 8,695,780.00 |
| | | <u>27,185,000.00</u> | <u>12,009,759.50</u> | <u>39,194,759.50</u> |
| Total Principal and Interest | | <u>\$ 521,640,000.00</u> | <u>\$ 242,604,016.45</u> | <u>\$ 764,244,016.45</u> |

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Texas Tech University System
 Combined Schedule 2D - Analysis of Funds Available for Debt Service
 For the Year Ended August 31, 2012

| Pledged and Other Sources and Related Expenditures for FY2012 | | | | |
|---|------------------------------------|--|-------------------------|-------------------------|
| Description of Issue | Net Available for Debt Service | | Debt Service | |
| | Total Pledged and Other Sources | Operating Expenses/Expenditures and Capital Outlay | Principal | Interest |
| | | | | |
| Revenue Bonds: | | | | |
| Rev Fin Sys Bds 7th Ser '01 | | \$ | 3,995,000.00 | \$ 308,825.00 |
| Rev Fin Sys Bds Tax 8th Ser '01 | | | 0.00 | 921,607.50 |
| Rev Fin Sys Ref & Imp Bds 9th Ser '03 | | | 4,495,000.00 | 942,787.50 |
| Rev Fin Sys Ref & Imp Bds 10th Ser '06 | | | 5,160,000.00 | 9,410,695.00 |
| Rev Fin Sys Ref & Imp Bds 12th Ser '09 | | | 9,430,000.00 | 6,479,781.26 |
| Rev Fin Sys Ref & Imp Bds 14th Ser '12A | | | 4,040,000.00 | 4,631,356.04 |
| Rev Fin Sys Ref Bds Tax 15th Ser '12B | | | 400,000.00 | 461,775.75 |
| Total | \$ 690,725,360.01 | \$ (B) | \$ 27,520,000.00 | \$ 23,156,828.05 |

(A) Beginning balances as of 09/01/11 of \$315,040,390.90 are not included in "Total Pledged and Other Sources."

(B) Expenditures associated with pledged sources were approximately \$520,671,054.09.

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Texas Tech University System
Combined Schedule 2E - Defeased Bonds Outstanding
For the Year Ended August 31, 2012

| <u>Description of Issue</u> | <u>Year Defeased</u> | <u>Par Value Outstanding</u> |
|---------------------------------------|--------------------------|----------------------------------|
| Revenue Bonds | | |
| Rev Fin Sys Ref & Imp Bds 9th Ser '03 | 2012 | <u>\$ 52,460,000.00</u> |
| | | <u>\$ 52,460,000.00</u> |

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**Texas Tech University System
 Combined Schedule 2F - Early Extinguishment and Refunding
 For the Year Ended August 31, 2012**

| Description of Issue | Category | Amount Extinguished or Refunded | Refunding Issue Par Value | Cash Flow Increase (Decrease) | Economic Gain/ (Loss) |
|---------------------------------|-------------------|--|--|--|--------------------------------------|
| 2001 Series 7 RFS Bonds | Current Refunding | \$ 4,215,000.00 | \$ 4,060,000.00 | \$ 155,000.00 | \$ 300,295.85 |
| 2001 Series 8 Taxable RFS Bonds | Current Refunding | 27,710,000.00 | 27,585,000.00 | 125,000.00 | 7,525,977.98 |
| 2003 Series 9 RFS Bonds | Advance Refunding | 52,460,000.00 | 49,395,000.00 | 3,065,000.00 | 8,009,244.25 |
| Total TTUS Consolidated | | \$ 84,385,000.00 | \$ 81,040,000.00 | \$ 3,345,000.00 | \$ 15,835,518.08 |

Note: In FY 2012, \$353,140.83 of Texas State University System debt on behalf of Angelo State University was refunded and new debt was financed by the Texas Tech University System on behalf of Angelo State University. The refunded bonds were Angelo State University's portion of the Texas State University System 2002 series of bonds. This refunding resulted in a cash flow increase of \$38,140.83 and an economic gain of \$64,670.60.

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**Texas Tech University System
Combined Schedule 3 - Reconciliation of Cash in State Treasury
For the Year Ended August 31, 2012**

| Cash in State Treasury | Current Unrestricted |
|--|------------------------------------|
| Local Revenue (Fund 0214) | \$ 7,877,932.04 |
| Local Revenue (Fund 0227) | 879,129.71 |
| Local Revenue (Fund 0239) | 11,891,669.66 |
| Local Revenue (Fund 0255) | 16,670,017.54 |
| Permanent Health Fund - El Paso Campus (Fund 0820) | 8,889,716.74 |
| Permanent Health Fund - Other Campuses (Fund 0821) | <u>3,367,770.37</u> |
| Total Cash in State Treasury (Note 1) | <u><u>\$ 49,576,236.06</u></u> |

